Review

of the

Co-operative Movement in India

1956–8

OFFICE OF THE PRINCIPAL, RURAL EXTENSION TRAINING CENTRE
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FOREWORD

This Review of the Co-operative Movement in India covering the period July 1, 1956 to June 30, 1958 is the eighth in the series. We are grateful to the Registrars of Co-operative Societies of the different States and other officials and institutions concerned for sending the data required for the compilation of the Review. The general comments expressed in this publication do not necessarily represent the views of the Reserve Bank.

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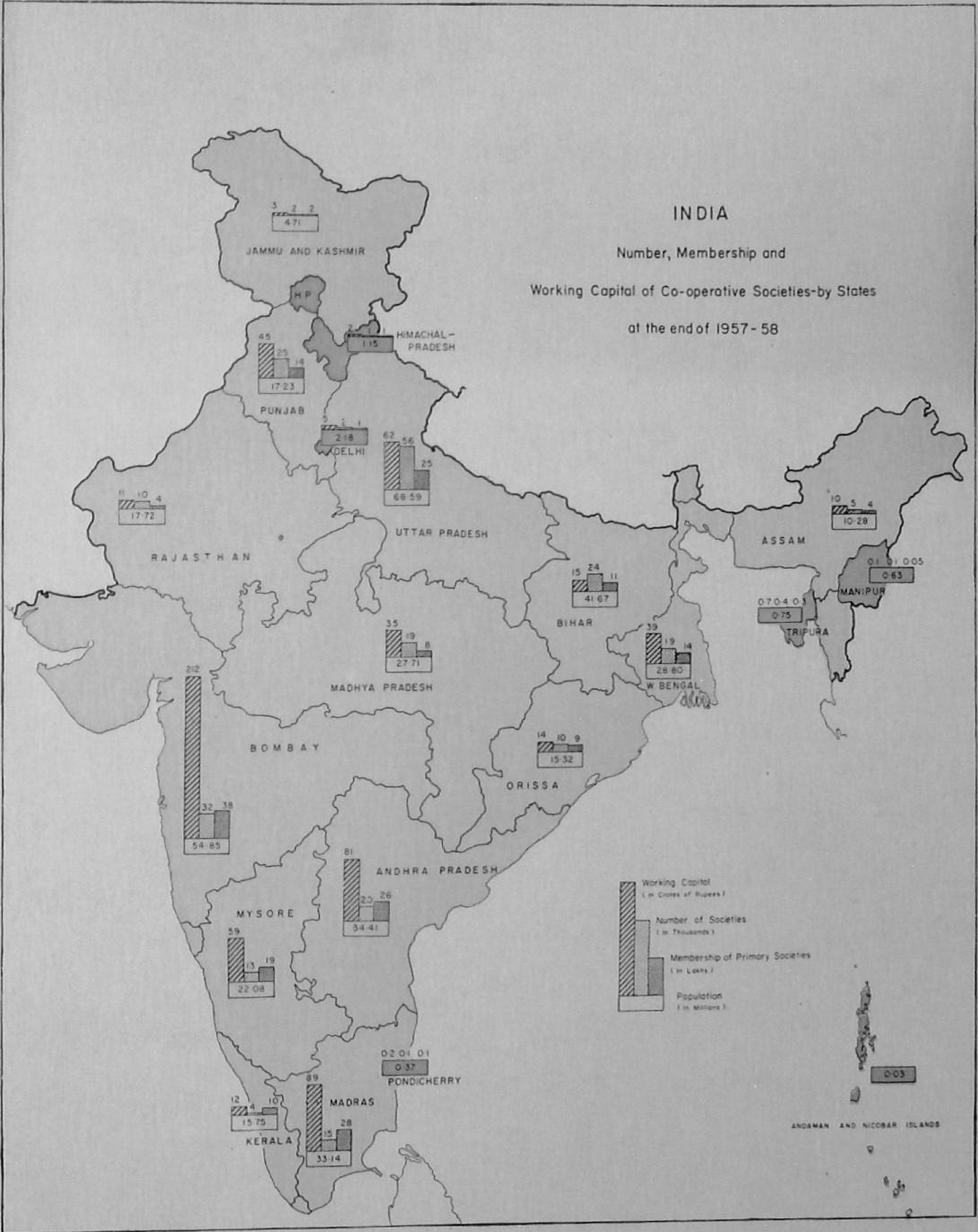
Bombay
March 16, 1960

EXPLANATORY NOTES

The data given in this Review generally relate to the co-operative year ending June 30 except in the case of Jammu and Kashmir State where the co-operative year is from April 1 to March 30. The data on insurance societies relate to the calendar year.

The terms 'lakh' (1,00,000) and 'crore' (1,00,00,000) signify one hundred thousand and ten million respectively.


INDIA
Number, Membership and
Working Capital of Co-operative Societies-by States
at the end of 1957-58
JAMMU AND KASHMIR
3 2 2
4·71
H P
HIMACHAL-PRADESH
2 1 1
1·15
PUNJAB
45 25 14
17·23
DELHI
5 1 1
2·18
UTTAR PRADESH
62 56 25
68·59
RAJASTHAN
11 10 4
17·72
ASSAM
10 5 4
10·28
MANIPUR
0·1 0·1 0·05
0·63
TRIPURA
0·7 0·4 0·3
0·75
BIHAR
15 24 11
41·67
W. BENGAL
39 19 14
28·80
MADHYA PRADESH
35 19 8
27·71
BOMBAY
212 32 38
54·85
ORISSA
14 10 9
15·32
ANDHRA PRADESH
81 23 26
34·41
MYSORE
59 13 19
22·08
PONDICHERRY
0·2 0·1 0·1
0·37
MADRAS
89 15 28
33·14
KERALA
12 4 10
15·75
Working Capital (in Crores of Rupees)
Number of Societies (in Thousands)
Membership of Primary Societies (in Lakhs)
Population (in Millions)
0·03
ANDAMAN AND NICOBAR ISLANDS

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1. INTRODUCTORY

1.1 The Statistical Statements relating to the Co-operative Movement in India for 1957–8 was published in June 1959 in the revised *pro formae* drawn up by an *ad hoc* Sub-Committee which was set up for the purpose by the Standing Advisory Committee on Agricultural Credit at its fifth meeting held in January 1956. This Review of the Co-operative Movement in India for 1956–8 is based on the data furnished therein and subsequent information made available to the Reserve Bank by the Registrars of Co-operative Societies. As the Statistical Statements in their present form furnish a more detailed picture of the various types of co-operative institutions in the country, the tables that were being given at the end of the previous issues of the Review have been dropped from this publication. Further, the chapters have been rearranged with a view to making the Review more compact. The details regarding the basic structure of the movement which were given in the previous issue of the Review have also been omitted with a view to avoiding repetition of facts which are already well known.

1.2 The publication of the Rural Credit Survey Report in December 1954 was a landmark in the history of the co-operative movement in the country; for, while it pointed out the weaknesses of the movement, it also suggested remedies and called for efforts for its success. The various recommendations made in the Report were approved by co-operators, official and non-official, at several conferences which followed its publication. The Conference of the State Ministers for Co-operation held in New Delhi in April 1955 which examined the recommendations of the Rural Credit Survey Committee generally accepted them and the state governments were directed to draw up their proposals for the development of the co-operative movement during the Plan period on the basis of the conclusions reached at the Conference. These proposals were embodied in the Second Five Year Plan which was then under preparation. The importance attached to co-operative development in national planning can be judged from the fact that the financial outlay in the Second Five Year Plan for this purpose was of the order of Rs 47 crores as against an allocation of only Rs 7·11 crores in the First Five Year Plan. The targets laid down for the disbursement of rural credit by the end of the Plan period were, short-term Rs 150 crores, medium-term Rs 50 crores and long-term Rs 25 crores. In brief, the Plan envisaged setting up of an integrated rural credit structure based on three fundamental principles, namely, state partnership at different levels, full co-ordination between credit and other economic activities, especially marketing and processing, and administration with adequate trained personnel, responsive to the needs of the rural population. The present issue of the Review covers the first two years of the Plan period and thus gives details regarding the implementation of the various schemes for co-operative development. It also recounts the various steps taken by the Reserve Bank of India in this direction. As stated in the earlier issues, the Reserve Bank has been playing an increasingly active role in the sphere of rural credit but since the publication of the Rural Credit Survey Report, its activities in this regard have been expanding in large measure.

1.3 The reorganization of states which came into effect on 1 November 1956 necessitated some adjustments in the co-operative structure in the states affected by it. The problems in this regard were considered at an informal Conference convened by the Reserve Bank of India in May 1956 of representatives of apex co-operative institutions and officials of the states which were likely to be affected by the reorganization of states. One of the

conclusions of the Conference was that there should be only one apex co-operative bank in every state and no bank should serve more than one state. Further, as a result of the reorganization of states the number of states in the country has been reduced. On account of these factors and also as a result of changes in the classification of certain types of societies, the data presented in this issue in regard to individual states are not on all fours with corresponding figures shown in earlier issues of this publication.

1.4 The following table indicates the improvement in the position of the co-operative movement at the end of the period under review as compared with its position at the end of 1955–6.

TABLE 1.1 — PROGRESS OF THE CO-OPERATIVE MOVEMENT

Item	YEAR		
	1955–6	1956–7	1957–8
1	2	3	4
No. of societies of all types (in thousands) ..	2,40	2,44	2,58
No. of members of primary societies (in lakhs)	1,76	1,94	2,14
Paid-up share capital of all types of societies (in crores of rupees)	77	92	122
Working capital of all types of societies (in crores of rupees)	469	568	696
Loans advanced by primary credit societies (in crores of rupees)	141	173	202

1.5 In the following chapters attention is devoted to consideration of the development of each aspect of the co-operative movement in the country.

2. PLANNING AND STATE AID

2.1 General

The Review for 1954-6 contained two separate chapters on 'Planning' and 'State Aid'. In the present Review, the two chapters have been combined. The chapter on 'Planning' included in the last Review dealt with the main features of the co-operative development schemes under the Second Five Year Plan, which were largely based on the recommendations of the All-India Rural Credit Survey Committee. A detailed reference was also made to the various legislative and administrative measures which were taken with a view to enabling effective implementation of the schemes. The subjects covered were the plan targets and the financial outlay involved, the expansion contemplated in the credit, marketing, warehousing and processing sectors, the provision made for the strengthening and training of staff of co-operative departments and institutions, the special funds set up in the context of planned development and the general principles of Central aid. The object of the present chapter is to refer briefly to the subsequent developments which have occurred in the sectors of credit and marketing.

2.2 Credit

2.2.1 At the national level, the responsibility for the development of co-operative credit falls within the sphere of the Reserve Bank of India while that for the development of co-operative marketing, processing, etc., is within the sphere of the Government of India, in conjunction with the National Co-operative Development and Warehousing Board. Reference was made in the last Review to the constitution of this Board by the Government of India on 1 September 1956 with the object of planning and promoting programmes for the production, marketing, storage, warehousing, export and import of agricultural produce through a co-operative society or a warehousing corporation and of providing financial assistance to state governments and the Central and state warehousing corporations for the purpose. The quantum of financial assistance availed of by the state governments from the Government of India during 1957-8 amounted to Rs 2,38 lakhs by way of loans and Rs 69 lakhs by way of subsidies.

2.2.2 Reference was also made in the Review for 1954–6 to the legislative amendments and procedural reforms that were introduced with a view to enabling the Reserve Bank to play a dynamic role in rural credit and co-operation on the lines recommended by the Rural Credit Survey Committee. The amendments to the Reserve Bank of India Act effected in 1955 provided for the setting up of a National Agricultural Credit (Long-term Operations) Fund under Section 46A of the Reserve Bank of India Act for the purpose, among others, of granting long-term loans to state governments to enable them to subscribe to the share capital of co-operative credit institutions, and of a National Agricultural Credit (Stabilization) Fund under Section 46B of the Act to be utilized for granting medium-term loans to state co-operative banks to enable them to pay their short-term dues to the Reserve Bank under circumstances which did not make it possible for them to repay such dues in time owing to drought, famine or other natural calamities.

2.2.3 The total loans sanctioned by the Reserve Bank from its Long-term Operations Fund to state governments to enable them to take shares in co-operative credit

institutions in 1956–7 and 1957–8 amounted to Rs 2,68 lakhs and Rs 6,07 lakhs respectively, of which Rs 1,60 lakhs and Rs 5,83 lakhs were drawn.

2.2.4 The Reserve Bank also provided large financial accommodation, short-term as well as medium-term, to state co-operative banks to enable them to fulfil their vastly extended loan programmes in the context of the Second Five Year Plan. The following table gives details in respect of the finance provided by the Reserve Bank for agricultural operations and marketing of crops during the three years ended 30 June 1958.

TABLE 2.1 — FINANCE PROVIDED BY THE RESERVE BANK TO THE STATE CO-OPERATIVE BANKS

Crores of rupees

Year	SHORT-TERM LOANS		MEDIUM-TERM LOANS	
	Amount sanctioned	Amount outstanding	Amount sanctioned	Amount outstanding
1	2	3	4	5
1955–6	29·64	12·98	1·40	0·99
1956–7	35·25	23·32	1·67	1·58
1957–8	48·24	40·47	7·72	3·42

2.2.5 During the period under review, there was an all-round expansion of the co-operative credit structure at all levels. As on 31 March 1958, 4,570 large-sized societies were organized in the country. Efforts were continued to reorganize the financing banks at the district and apex levels. Their capital resources were augmented by state participation in share capital and their organizational structure was strengthened by the appointment of additional administrative and supervisory staff.

2.2.6 A detailed account of the development of the co-operative credit structure and the role played by the Reserve Bank in this sphere is given in chapter 3 on 'Co-operative Banking Structure'.

2.3 Marketing

A reference was made in the last Review to the provision made in the Second Five Year Plan for the organization or reorganization of nearly 1,736 marketing societies mostly at the *mandi* centres. During the first two years of the Plan, *i.e.*, in 1956–7 and 1957–8, 749 primary marketing societies were established. Apex marketing societies were also organized in several states. The National Co-operative Development and Warehousing Board provided financial assistance to 251 marketing societies to the extent of Rs 77 lakhs in 1956–7 and to 439 marketing societies to the extent of Rs 1,36 lakhs in 1957–8. Details in this regard are given in chapter 5 on 'Co-operative Marketing'.

2.4 State Aid

2.4.1 The role played by the state in relation to the co-operative movement has grown significantly during recent years. Under the integrated scheme of rural credit, which forms the basis of co-operative development in the country, the state is expected not only to aid the movement administratively, but also to participate in the share capital structure of co-operative institutions at different levels with a view to giving them financial and organizational strength. During the period under review, the main forms of state aid received by co-operatives were share capital contributions, loans, grants and subsidies. The major portion of the financial assistance was derived from the Central Government through the National Co-operative Development and Warehousing Board. The table 2.2 on pages 6 and 7 shows the quantum of financial assistance sanctioned by the Board in 1957–8 to state governments for schemes of co-operative development. The pattern of financial assistance provided by the Board is given below.

2.4.2 Primary Agricultural Credit Societies and Credit Unions.

New societies and existing societies taken up for strengthening and revitalisation in the initial stages will be given financial assistance in the shape of subsidy to enable them to meet their working expenses. The actual assistance will depend upon various factors and will have to be determined by each state government. Such assistance will not, however, exceed Rs 900 per society spread over a period not exceeding five years. The National Co-operative Development and Warehousing Board and state governments will share equally the cost of such assistance. Similar assistance will be available for credit unions also.

2.4.3 Central Banks, Apex Banks, Land Mortgage Banks and Large-sized Societies.

(*a*) The cost of additional managerial staff for central co-operative banks, apex co-operative banks and land mortgage banks, is subsidized by the government for a period not exceeding three years. The proportion in which the Board will share the subsidy with the state governments is indicated below.

Year	*Board*	*State Government*
First year	50%	50%
Second year	33 ⅓%	33 ⅓%
Third year	16 ⅔%	16 ⅔%

(*b*) For collection and storage of the surplus produce of the members of large-sized societies and for supplying production requisites such as fertilizers, seeds, etc. large-sized credit societies organized in the years 1956–9 and for which godowns were provided in the plan, will be assisted for the construction of godowns in rural areas in the shape of loans and subsidies—loans up to 62½ per cent and subsidies up to 12½ per cent of the total cost—on condition that the state government will provide at least 12½ per cent as subsidy and 12½ per cent of the total cost as loan. Large-sized societies are also eligible for a subsidy not exceeding Rs 500 per annum to enable them to hire godowns for a temporary period. The Board's share is limited to 50 per cent, the remaining 50 per cent being borne by the state government.

TABLE 2.2 — FINANCIAL ASSISTANCE SANCTIONED BY THE NATIONAL SCHEMES OF CO-OPERATIVE

Lakhs of rupees

State	Subsidy for managerial staff: Small-sized societies	Large-sized societies	Central banks	Land mortgage banks	Apex banks	Primary marketing societies
1	2	3	4	5	6	7
Andhra Pradesh	—	2·22	0·65	0·20	0·13	0·28
Assam	—	0·77	0·08	0·06	0·04	0·33
Bihar	—	0·90	0·57	0·37	0·17	0·71
Bombay	0·375	1·00	0·65	0·17	—	0·375
West Bengal	0·150	1·43	0·87	0·41	—	0·315
Delhi	—	0·051	—	—	0·09	0·066
Himachal Pradesh	—	0·63	—	—	0·07	0·255
Kerala	—	0·47	0·08	0·13	0·73	0·27
Madhya Pradesh	—	2·20	0·79	—	0·12	0·862
Madras	—	1·05	1·25	0·33	—	1·31
Manipur	—	0·14	—	0·10	0·06	0·05
Mysore	—	1·29	0·57	0·21	0·03	0·15
Orissa	—	0·62	0·30	0·06	0·03	0·43
Uttar Pradesh	—	4·50	0·58	0·135	0·028	1·59
Punjab	0·75	0·90	0·20	0·15	—	0·48
Rajasthan	0·15	0·90	0·16	0·07	0·11	0·17
Tripura	—	0·22	—	0·04	0·16	0·07
Total	**1·425**	**19·291**	**6·75**	**2·435**	**1·768**	**7·713**

State	Loans for share capital (Contd.): Processing societies other than sugar factories	Sugar factories	Godowns: Large-sized societies: Loans	Large-sized societies: Subsidies	Marketing societies: Loans	Marketing societies: Subsidies
	14	15	16	17	18	19
Andhra Pradesh	—	—	4·50	0·90	6·88	1·37
Assam	—	—	2·34	0·47	2·50	0·50
Bihar	—	—	7·81	1·56	5·94	1·19
Bombay	8·06	—	7·00	1·40	7·50	1·50
West Bengal	—	—	3·86	0·78	2·81	0·56
Delhi	—	—	—	0·14	0·15	0·05
Himachal Pradesh	—	—	1·275	0·425	1·575	0·525
Kerala	0·75	—	1·19	0·24	2·25	0·45
Madhya Pradesh	2·10	—	9·12	1·83	5·83	1·175
Madras	1·50	10·00	5·23	1·05	n.a.	n.a.
Manipur	—	—	0·45	0·15	0·37	0·12
Mysore	3·00	—	3·75	0·75	4·07	0·81
Orissa	—	—	5·01	0·99	0·77	0·16
Uttar Pradesh	0·375	9·50	6·25	1·25	9·375	1·875
Punjab	1·20	—	1·50	0·90	1·66	0·60
Rajasthan	1·12	—	3·35	0·67	2·20	0·44
Tripura	—	—	0·90	0·30	0·38	0·12
Total	**18·105**	**19·50**	**63·535**	**13·805**	**54·260**	**11·445**

CO-OPERATIVE DEVELOPMENT AND WAREHOUSING BOARD FOR DEVELOPMENT DURING 1957-8

Lakhs of rupees

State	SUBSIDY FOR MANAGERIAL STAFF			LOANS FOR SHARE CAPITAL		
	District marketing societies	Apex marketing societies	Processing societies	Primary marketing societies	District marketing societies	Apex marketing societies
	8	9	10	11	12	13
Andhra Pradesh	—	—	—	5·77	0·66	0·09
Assam	—	—	0·75	2·25	—	1·50
Bihar	—	—	—	7·50	—	—
Bombay	—	—	0·025	9·90	—	—
West Bengal	—	—	—	3·75	—	0·19
Delhi	—	—	—	3·90[1]	—	—
Himachal Pradesh	0·10	0·035	—	7·65[2]	2·00	1·00
Kerala	0·03	—	—	0·53	0·38	—
Madhya Pradesh	—	0·281	0·07	6·30	—	1·70
Madras	—	—	—	1·50	—	—
Manipur	—	0·10	—	4·005[3]	—	0·53
Mysore	—	0·01	—	4·50	—	0·75
Orissa	—	0·05	—	3·00	—	0·37
Uttar Pradesh	—	—	—	11·25	—	3·75
Punjab	—	0·02	0·12	4·80	—	—
Rajasthan	—	0·05	—	1·46	—	1·50
Tripura	—	—	—	6·50[4]	—	—
Total	0·13	0·546	0·965	84·565	3·04	11·38

State	GODOWNS (Contd.)	Loans to State Govts. for shares of state warehousing corporations	Subsidy for departmental staff	TOTAL ASSISTANCE		
	Total assistance for godowns			Loans	Subsidies	Total
	20	21	22	23	24	25
Andhra Pradesh	13·65	—	0·99	17·90	6·74	**24·64**
Assam	5·81	—	2·10	8·59	5·10	**13·69**
Bihar	16·50	—	2·46	21·25	7·93	**29·18**
Bombay	17·40	3·50	3·32	35·96	8·815	**44·775**
West Bengal	8·01	—	0·79	10·61	5·305	**15·915**
Delhi	0·34	—	0·274	4·05	0·671	**4·721**
Himachal Pradesh	3·80	—	0·96	13·50	3·00	**16·50**
Kerala	4·13	—	0·35	5·10	2·75	**7·85**
Madhya Pradesh	17·955	2·50	3·35	27·55	10·678	**38·228**
Madras	6·28	5·00	0·94	23·23	5·93	**29·16**
Manipur	1·09	—	0·14	5·355	0·86	**6·215**
Mysore	9·38	—	2·07	16·07	5·89	**21·96**
Orissa	6·93	2·50	2·11	11·65	4·75	**16·40**
Uttar Pradesh	18·75	—	4·10	40·50	14·058	**54·558**
Punjab	4·66	—	2·58	9·16	6·70	**15·86**
Rajasthan	6·66	2·50	2·31	12·13	5·03	**17·16**
Tripura	1·70	—	0·39	7·78	1·30	**9·08**
Total	**1,43·045**	**16·00**	**29·234**	**2,70·385**	**95·507**	**3,65·892**

[1] Including Rs 2·60 lakhs as share capital for credit institutions.
[2] Including Rs 4·25 lakhs as loans for share capital of large-sized societies.
[3] Including Rs 3 lakhs as loan for share capital of apex bank and land mortgage bank also.
[4] Including Rs 3 lakhs as share capital for apex bank and Rs 1 lakh as share capital for land mortgage bank also.

Source: Annual Report of the National Co-operative Development and Warehousing Board, 1957-8.

2.4.4 Co-operative Marketing and Processing Societies.

(*a*) *Share capital contribution.*—The Board provides loans to the state governments generally to the extent of 75 per cent of the total contribution by the state government to the share capital of co-operative marketing and processing societies. The balance *viz.* 25 per cent. is met by the state government from its resources. The state contribution to the share capital of a marketing society is generally of the order of Rs 20,000 to Rs 25,000. In the case of district marketing societies, apex marketing societies, marketing-cum-processing societies and processing societies, the extent of contribution depends upon the actual requirements of the societies concerned.

(*b*) *Godowns of Marketing Societies.*—Loans and subsidies for construction or purchase of godowns are allowed on the same scale as indicated in 2.4.3 (*b*) above. The extent of state assistance is about Rs 25,000 for godowns of primary marketing societies. In the case of godowns of district and apex marketing societies, larger assistance is available. Primary marketing societies and apex marketing societies are also eligible for a subsidy up to Rs 1,250 and Rs 10,000 or 5 per cent of the estimated cost of construction of the godowns whichever is less for hiring godowns on a temporary basis, until they have their own godowns. The Board's share is limited to 50 per cent, the remaining 50 per cent being borne by the state government.

(*c*) *Additional Managerial Staff.*—The cost of additional managerial staff for marketing and processing societies is subsidized by the Board and state governments in the manner indicated in 2.4.3 (*a*) above. No assistance is available for meeting the cost of technical staff appointed by processing societies.

2.4.5 Co-operative Sugar Factories.

The Board advances loans to the state governments to enable them to take shares in co-operative sugar factories. The aid from the Board is limited to Rs 20 lakhs per sugar factory, subject to the condition that the promoters (i.e. members) contribute an equal amount.

2.4.6 State Warehousing Corporations.

The Board provides loans to state governments up to a limit not exceeding 50 per cent of the amount of their contribution to the share capital of State Warehousing Corporations.

2.4.7 Supervising Unions.

Supervising unions organized on the pattern indicated by the Government of India are eligible for subsidies from the Board to enable them to balance their budgets. This subsidy will be shared equally by the state government and the Board.

2.5 Expenditure on Co-operative Departments

The expenditure incurred by the state governments on their co-operative departments showed a steady increase during the period under review. The available data in this regard are given in the table 2.3 on page 9.

TABLE 2.3 — EXPENDITURE INCURRED ON CO-OPERATIVE DEPARTMENT BY STATES

Lakhs of rupees

State	1956–7	1957–8	Column 3 as percentage of working capital of co-operative societies
1	2	3	4
Andhra Pradesh	79·42	99·67	1·2
Assam	1,42·10	90·03	8·9
Bihar	1,12·38	1,78·76	11·6
Bombay	53·10	67·62	0·3
Kerala	10·87	13·43	1·1
Madhya Pradesh	14·96[1]	43·54	1·2
Madras	1,52·96	1,50·79	1·6
Mysore	16·44[1]	39·44	0·7
Orissa	1,78·92[2]	1,01·79[2]	7·2
Punjab	18·79	47·32	1·0
Rajasthan	23·36	59·36	5·4
Uttar Pradesh	94·93[3]	2,20·24[3]	3·5
West Bengal	24·00	32·74	0·8
Delhi	2·25	6·78	1·5
Himachal Pradesh	4·36	5·67	3·1
Pondicherry	0·42	0·51	2·7
Tripura	0·91	0·95	1·5
Andaman & Nicobar Islands	0·10 (approx.)	0·12 (approx.)	1·4

[1] From 1-11-1956 to 31-3-1957.
[2] Including loans, advances etc.
[3] Including investments, loans and advances.

3. CO-OPERATIVE BANKING STRUCTURE

3.1 General

In so far as short-term and medium-term agricultural finance is concerned, the co-operative credit structure in the country generally follows the federal pattern consisting of an apex co-operative bank in each state at the top, central co-operative bank at the district or intermediate level, and the primary agricultural credit society at the village base. The period under review saw further progress towards conformity with this pattern in the different states. Thus, in certain areas where branches of an apex co-operative bank had earlier been serving the primary societies, central banks were established and where central or apex banks had previously financed agriculturists direct, primary agricultural credit societies were formed through which such individuals could be financed. Some progress has also been made towards rationalization of the structure at the central bank level so as to have, on an average, a central bank to serve an area of one district and thus ensure for it business sufficient to make it an economic unit. A major, though temporary, deviation from the accepted pattern is the emergence of two or three apex co-operative banks in a few states following the reorganization of states in November 1956. In all these cases, however, it has been agreed that the ultimate aim should be to have only one state co-operative bank in each state by amalgamating the existing units. Such amalgamation has already taken place in the Punjab and Madhya Pradesh and efforts towards the same are in progress in Bombay and Andhra Pradesh. As far as the non-agricultural credit sector is concerned, the needs at the primary level continue to be met by urban banks, salary earners societies and other special types of credit societies in towns and cities, such institutions being affiliated, at the district and apex levels, to the same structure as the one that serves the agricultural credit societies.

3.2 Agricultural Credit Societies

3.2.1 Primary agricultural credit societies numbering 1,76,092 formed 68·9 per cent of the total number of primary co-operative societies and continued to constitute numerically the largest single class of societies, thus occupying a position of major significance in the co-operative movement in the country, as can be seen from the table 3.1 on page 11. The increase in the number of agricultural credit societies which occurred despite the amalgamation of small-sized societies in many states to form large-sized societies, was primarily due to the registration of a large number of new societies in some states such as Uttar Pradesh, Punjab, Andhra Pradesh and Rajasthan while the number of non-agricultural credit societies, on the contrary, remained practically stationary. The total number of non-credit societies was on the increase; of these, agricultural societies showed a relatively smaller rise than those of the non-agricultural category.

3.2.2. With the increasing recognition of co-operatives as the most suitable medium for the provision of agricultural credit, the organization of agricultural credit societies made further progress during the period under review. Not only were new societies organized in areas which had not been covered by co-operatives but in areas served by small-sized societies, efforts were made to convert some of them into large-sized societies. In some states, the organization of new societies was in the direction of the multipurpose

TABLE 3.1 — PROGRESS OF CO-OPERATIVE SOCIETIES

Number in thousands

Item	1955–6		1956–7		1957–8	
	No.	*Percentage to total*	No.	*Percentage to total*	No.	*Percentage to total*
1	2	3	4	5	6	7
Credit societies						
Agricultural[1]	168	*71·2*	170	*70·5*	1,76	*68·9*
Non-agricultural	10	*4·2*	10	*4·2*	10	*3·9*
Non-credit societies						
Agricultural	30	*12·8*	32	*13·3*	32	*12·4*
Non-agricultural	28	*11·8*	29	*12·0*	38	*14·8*
Total	**236**	***100·0***	**241**	***100·0***	**257**	***100·0***

[1] Including grain banks.

type, while in others existing societies were converted into multipurpose institutions with limited liability. Even so, a large proportion of the agricultural credit societies continued to be on an unlimited liability basis, as can be seen from the following:

TABLE 3.2 — DISTRIBUTION OF AGRICULTURAL CREDIT SOCIETIES — BY NATURE OF LIABILITY

Nature of liability	Number of societies		
	1955–6	1956–7	1957–8
1	2	3	4
Limited	66,146	69,787	74,804
Unlimited	93,793	91,723	91,739

Conversion on a large scale to limited liability was reported from some of the states such as Andhra Pradesh, Uttar Pradesh, Bihar and Punjab. At one extreme, in the union territory of Pondicherry, all the societies registered were on an unlimited liability basis, while, at the other, in Jammu & Kashmir, all the societies functioning were on limited liability basis. A majority of the limited liability societies were in Uttar Pradesh and Bihar, these two states together accounting for 55,532 out of a total of 74,804. In states such as Andhra Pradesh, Assam, Madhya Pradesh, Madras, Orissa, Punjab and West Bengal a majority of the societies were functioning on an unlimited liability basis.

3.2.3 In spite of a fairly large increase in the number of societies, the percentage of villages covered by them fell short of the target of 50 per cent suggested in the Report of the Co-operative Planning Committee, in states such as Assam, Bihar, Orissa, Rajasthan, West Bengal and in the centrally administered areas of Manipur and Tripura. A substantially large coverage was reported in Kerala, Madras, Mysore and Himachal Pradesh where the percentage of villages covered was reported as 98, 82, 78 and 99 respectively. It should, however, be noted that coverage of villages in many cases was only nominal and did not always mean that the societies were functioning effectively.

3.2.4 An important development during the period under review was the organization of large-sized societies in several parts of the country as recommended by the All-India Rural Credit Survey Committee. The organization of 10,400 societies of this type came to be taken up as part of the co-operative development programmes of the various states under the Second Five Year Plan. Each society was to receive state-contributed share capital up to Rs 10,000 and to have a trained full-time paid manager subsidized by Government for a period of three years. About 4,000 of these societies were also to have a small godown each, costing about Rs 10,000 on an average. It was envisaged that the societies would adopt the 'crop loan system' and that arrangements would be made for the recovery of the production loans through marketing societies with which the large-sized societies were to be closely linked.

3.2.5 As against the target of 10,400, the number of large-sized credit societies organized during the first two years of the Second Five Year Plan was reported to be 4,470. The state governments were sanctioned loans by the Reserve Bank of India, to the tune of Rs 2,51 lakhs during this period for contributing to the share capital of 2,769 large-sized credit societies. There was delay in many states in passing the share capital contribution to the societies, and in sanctioning subsidies for managerial staff. Further, co-operative marketing and processing made little headway and even when co-operative marketing societies were organized or reorganized, the progress made in actual marketing was not significant. Notwithstanding these limitations, the large-sized societies could claim to have achieved satisfactory results. In several states, the average membership of the societies was over 200 while the all-India average for all types of agricultural credit societies was only 61. In Madras and Andhra Pradesh, the average was over 650. The large-sized society was well ahead of the small-sized society generally, in respect of the paid-up share capital, the volume of deposits, total working capital and the level of loan operations for the society as well as per member. To cite a few instances, the average of deposits per society was Rs 18,812 in Andhra Pradesh, Rs 14,118 in Punjab and about Rs 7,000 in Madras. Of the total deposits held by all primary agricultural credit societies in Andhra Pradesh, Punjab and Mysore, the large-sized societies accounted for 94 per cent, 24 per cent and 29 per cent respectively. The average loan per society exceeded Rs 1 lakh in Andhra Pradesh and Madras, while Bombay, Punjab and Madhya Pradesh showed an average of Rs 89,032, Rs 50,218 and Rs 48,684 respectively. The average loan advanced per member in large-sized societies exceeded Rs 300 in Bombay, Rs 200 in Andhra Pradesh and Madhya Pradesh and Rs 150 in Punjab while the average in small societies was usually much lower. Substantial increase in membership of the large-sized societies since their registration was also generally reported. A few particulars of the working of large-sized societies in some of the states are given in the paragraphs relating to the position in individual states.

3.2.6 The membership of all agricultural credit societies showed a marked increase during the period under review from 78 lakhs to 1,02 lakhs, an increase of 24

lakhs. Average membership per society for the country as a whole recorded a small rise from 49 at the beginning of the period to 61 at the end of the period. The average membership in individual states showed wide variations; it was as low as 35 in Madhya Pradesh, 42 in Uttar Pradesh and 47 in Assam as compared to 80, 103 and 129 in Bombay, Andhra Pradesh and Madras respectively. In regard to the area of operations of societies details were not forthcoming from some of the states and in some of the other states information made available was incomplete. From the data available in respect of 74,037 societies out of 1,66,543 societies functioning as at the end of the period, 53,978 served up to 2 villages each, 12,549 between 3–5 villages each, 5,733 between 6–10 villages each and 1,777 societies more than 10 villages each.

3.2.7 The working capital of the agricultural credit societies consisted mainly of their share capital, reserves and borrowings from the co-operative financing banks to which they were affiliated. Deposits continued to form an insignificant part of the working capital, as may be seen from the following table:

TABLE 3.3 — WORKING CAPITAL OF AGRICULTURAL CREDIT SOCIETIES

Lakhs of rupees

Item	1955–6		1956–7		1957–8	
	Amount	*Percentage to total*	Amount	*Percentage to total*	Amount	*Percentage to total*
1	2	3	4	5	6	7
Working capital	**79,10**	***100·0***	**98,30**	***100·0***	**133,75**	***100·0***
Owned funds ..	29,25	*36·9*	33,31	*33·9*	42,37	*31·7*
Deposits ..	6,44	*8·1*	8,05	*8·2*	8,64	*6.5*
Other borrowings	43,41	*55·0*	56,94	*57·9*	82,74	*61·8*

The increase in the percentage of 'other borrowings' to the working capital from 55 to 61·8 which occurred between 1955–6 and 1957–8 would indicate the growing dependence of the societies on the co-operative financing banks for their needs. The absence of any sizeable improvement in their deposits indicates that these institutions have not been able to inculcate the habit of self-help and thrift in any appreciable degree among their members. A sustained drive to improve the deposits of the societies forming the base of the co-operative credit structure is called for.

3.2.8 The unevenness of the development of the agricultural credit movement among different states can be observed from the table 3.4 on page 14. It may also be observed from table 3.4 that the position in respect of the average working capital both per society and per member was unsatisfactory in many of the states.

3.2.9 Thanks to the organization of new societies and the expansion of the business of existing ones, the volume of fresh loans issued during the period under review, increased from Rs 49,62 lakhs in 1955–6 to Rs 67,33 lakhs in 1956–7 and to Rs 96,08 lakhs in 1957–8. While their outstandings increased from Rs 59,84 lakhs to Rs 107,10 lakhs the statewise distribution of the total loans, as reported in the earlier Reviews, continued to be uneven,

TABLE 3.4 — WORKING CAPITAL PER SOCIETY AND PER MEMBER AS AT THE END OF THE YEAR 1957-8

State	No. of societies	No. of members (in thousands)	Working capital (in thousands of rupees)	Average working capital	
				Per society	Per member
1	2	3	4	5	6
Andhra Pradesh	10,681	11,04	16,06,27	15,039	145
Assam	2,590	1,22	1,66,22	6,418	136
Bihar	14,685	5,30	2,33,92	1,599	44
Bombay	18,354	14,78	37,57,75	20,473	254
Jammu & Kashmir ..	1,355	1,90	88,99	6,568	46
Kerala	2,072	4,74	2,80,88	13,555	59
Madhya Pradesh	16,750	5,89	11,23,87	6,710	191
Madras	8,184	10,57	13,16,04	16,081	124
Mysore	7,264	8,95	10,91,88	15,031	122
Orissa	6,251	2,86	3,57,44	5,718	124
Punjab	14,344	8,04	12,92,77	9,012	161
Rajasthan	6,163	2,77	2,84,22	4,612	102
Uttar Pradesh	44,060	18,63	13,71,18	3,112	73
West Bengal	12,591	4,60	2,87,08	2,280	62
Andaman and Nicobar Islands[1]	1	–	23	–	–
Delhi	371	18	46,04	12,410	256
Himachal Pradesh	588	50	38,08	6,476	76
Manipur	8	2	62	7,750	31
Pondicherry	29	2	2,26	7,793	113
Tripura	202	20	29,41	14,560	147
All-India	**1,66,543**	**1,02,21**	**133,75,15**	**8,030**	**131**

[1] Complete data were not available.

the states of Bombay, Andhra Pradesh and Madras accounting for 55 per cent of the total advances in 1956–7 and 53 per cent in 1957–8. The enlarged Bombay state maintained the lead over all other states in respect of the total volume of finance provided as well as the average amount advanced per society. The total volume of fresh loans advanced in that state during 1957–8 was Rs 30,34 lakhs and was followed by Andhra Pradesh (Rs 11,51 lakhs), Uttar Pradesh (Rs 10,72 lakhs), Madras (Rs 9,11 lakhs), Madhya Pradesh (Rs 8,64 lakhs), Punjab (Rs 7,89 lakhs) and Mysore (Rs 6,97 lakhs). The average loan per society in Bombay worked out to Rs 16,528 as against an average of Rs 2,433 in Uttar Pradesh which has the largest number of societies. The corresponding figures for some other states were Rs 11,136 in Madras, Rs 10,778 in Andhra Pradesh, Rs 9,591 in Mysore, Rs 5,503 in Punjab, Rs 5,160 in Madhya Pradesh and touched as low a figure as Rs 663 in Bihar. Although the short-term and medium-term advances made by agricultural credit societies have reached a record figure of Rs 96,08 lakhs during the year 1957–8, much progress remains to be made before the targets of the Second Five Year Plan could be reached.

3.2.10 Though the period under review witnessed a significant rise in the volume of loans advanced by agricultural credit societies, the position in regard to their recoveries was not so satisfactory. The overdues of agricultural credit societies rose from Rs 14,96 lakhs in 1955–6 to Rs 22,79 lakhs in 1957–8. A correct appraisal of the extent of overdues requires their assessment in relation to demand but data in regard to demand are not available in many cases. Reckoned against outstandings no doubt, the proportion of overdues at the end of the year has slightly come down from 25 per cent in 1955–6 to 21·9 per cent in 1956–7 and to 21·3 per cent in 1957–8. Apart from the fact that this proportion (in a period of expanding loan operations) will tend generally to fall, two other serious limitations of these data on overdues have to be borne in mind. One of these relates to deliberate extensions of the period of repayment of loans due thereby reducing the actual amount which would have had to be shown as overdue and the second relates to resort to book adjustments or fictitious repayments of loans. In some cases entries are made to show repayments and fresh advances without any actual cash changing hands. In some instances, it has even been reported that funds are raised locally from moneylenders, etc. for the repayment of loans to the societies and the moneylender is repaid as soon as the society provides a fresh loan. It is understandable that during a period when the volume of loans is on the increase, recourse to such practices will tend to be correspondingly on the rise, and this calls for vigilance. Even according to the official figures of overdues, the position is none too satisfactory in various states. Among others, heavy overdues were found in Bihar (53·9 per cent), West Bengal (47·7 per cent), Orissa (28·6 per cent), Delhi (27·7 per cent), Himachal Pradesh (25 per cent) and Punjab (24·2 per cent), the figures given within brackets representing the proportion of overdues to outstandings. The percentage even in the co-operatively well-developed states of Andhra Pradesh, Bombay and Madras was as high as 23·2, 20·2 and 13·8 respectively. The unsatisfactory performance in regard to repayments calls for urgent corrective action as persistent defaults are likely to threaten the stability and strength of the co-operative credit structure. Though, initially, the impact may not be felt at the higher levels of the apex banks and the central banks, eventually the chronic overdues at the base are bound to affect the financial soundness of the higher institutions. The poor recoveries appear to reflect in part the unsatisfactory nature of the arrangements for supervision which should ordinarily help to ensure that the amounts are used for the purposes for which they are lent and recovered promptly out of the sale proceeds of the crops. Partly this position is also indicative of the failure of co-operative marketing to be developed to any significant extent in most parts of the country; and, even in areas where some development has taken place, such marketing has not been suitably linked with credit. It seems, therefore, necessary to improve the arrangements for supervision in most states and also to promote co-operative marketing and processing in full co-ordination with credit if the extension of co-operative credit is not to result in mounting overdues and jeopardize the credit structure in the years to come.

3.2.11 The bulk of the loans advanced by primary agricultural credit societies continued to be generally for a period of one year. During the year 1957–8, the amount of short-term loans issued was Rs 82,59 lakhs and medium-term loans of Rs 13,46 lakhs as against the targets fixed under the Second Five Year Plan, — Rs 150 crores and Rs 50 crores respectively. Medium-term loans for periods between one and three years were issued to a sizeable extent particularly in Orissa, Madhya Pradesh and Madras and to a fair extent in Punjab, Andhra Pradesh and Bombay. Loans exceeding three years were significant only in the state of Madras while they were noticed to a limited extent in Andhra Pradesh, Madhya Pradesh and Mysore. Though there appeared to be a considerable

demand for medium-term loans, the supply of such credit by the agricultural credit societies was limited by the meagre resources available with the societies in the shape of owned funds and medium-term borrowings from financing agencies. In expanding the supply of medium-term credit, the societies were also handicapped by the difficulty experienced in regard to the availability of adequate security in the form of unencumbered and alienable land against which alone such loans were generally provided. Land as security was affected in many states by the various measures of land reforms and tenancy legislation. If the flow of medium-term agricultural credit has to be stepped up, it is necessary for the state governments without sacrificing any major objectives of policy to ensure that the interests of co-operatives are not jeopardized as a result of the land reforms.

3.2.12 The purpose-wise analysis of loans issued by agricultural credit societies during the year 1957–8 reveals that the bulk of the advances was for productive purposes. Nevertheless, it may be borne in mind that the purpose-wise analysis of the loans is not of much significance in view of the fact that, in most cases, there is no satisfactory machinery to ensure that the loans are, in fact, used for the purpose for which they are ostensibly intended. It may be observed from the following table that in respect of loans aggregating Rs 96,05 lakhs, data for which are available, Rs 63,02 lakhs were advanced for financing seasonal agricultural operations, Rs 6,71 lakhs for purchase of cattle, Rs 4,05 lakhs for purchase of machinery and agricultural implements, Rs 2,44 lakhs for minor improvements to land, Rs 66 lakhs for sinking of and repairs to wells.

TABLE 3.5 — PRIMARY CREDIT SOCIETIES — CLASSIFICATION OF LOANS ISSUED DURING 1957-8 — BY PURPOSE

Thousands of rupees

Item	Amount
1	2
Short-term	**82,58,80**
(*a*) Seasonal agricultural operations	63,02,08
(*b*) Purchase of agricultural implements	3,44,60
(*c*) Marketing of crops	2,88,38
(*d*) Industrial purposes	49,37
(*e*) Consumption loans	3,58,17
(*f*) Other purposes	9,16,22
Medium-term	**13,46,20**
(*g*) Sinking of and repairs to wells	65,83
(*h*) Purchase of machinery	60,69
(*i*) Purchase of cattle	6,70,97
(*j*) Minor improvements to lands	2,44,03
(*k*) Other purposes	3,04,68

Loans utilised for the purchase of cattle were quite small in all states except in Madhya Pradesh, where such loans formed 39 per cent of the fresh advances. Loans to some extent were disbursed for this purpose in Punjab, Madras, Orissa and Bombay. Amounts drawn for marketing of crops were quite small at Rs 2,88 lakhs.

3.2.13 A study of the security-wise analysis of loans and advances outstanding at the end of the period under review reveals that in Madhya Pradesh, Orissa, Bombay, Mysore and Madras, loans were generally given against immovable property and against personal security. In Punjab, loans were given mostly against personal security and in Jammu and Kashmir they were entirely against such security. Loans to a sizeable extent against pledge of produce were reported from a few states such as Assam, Andhra Pradesh, Bombay, Madras and Mysore. As at the end of the period under review it was reported that of the total loans outstanding, details for which were available, Rs 51,50 lakhs or roughly 48 per cent were secured by immovable property and Rs 24,49 lakhs or roughly 23 per cent by guarantee mostly in the form of personal surety.

3.2.14 The general lending rate in primary agricultural credit societies continued to be high in some states such as Manipur (18 per cent), Madhya Pradesh (10 per cent), Uttar Pradesh (8¾ per cent), Punjab (Small-sized societies — 9⅜ per cent, large-sized societies — 7½ per cent), West Bengal (8 per cent), Orissa (8 per cent) and Assam (8 per cent). The objective of charging interest at the rate of 6¼ per cent is reported to have generally been achieved in Andhra Pradesh, Bihar, Jammu and Kashmir, Madras, Pondicherry and Tripura. In Bombay, the rate of interest charged by agricultural credit societies varied from 6¼ to 9½ per cent. Further efforts are called for in the direction of reducing the rate of interest to the ultimate borrower particularly in Manipur and Madhya Pradesh. It may be noted in this connection, that the supply of a large volume of funds by the Reserve Bank at a concessional rate has appreciably helped in enabling the co-operative credit structure in different states, generally to move in the direction of reducing the rates of interest charged to agriculturists.

3.2.15 During the period under review some of the agricultural credit societies continued to distribute controlled commodities, seeds, manures and agricultural implements. The value of goods distributed amounted to Rs 6,87 lakhs during the year 1957–8, 56 per cent of which was accounted for by societies in the Bombay state. The other states where the societies had undertaken this activity to some extent were Mysore, Jammu and Kashmir, Punjab and Bihar.

3.2.16 A general idea of the development of the agricultural credit societies in some of the states can be had from the table 3.6 given on page 18. The table is self-explanatory. It is pertinent to note that while in almost all the states the proportion of deposits to working capital was very low, the position was happier in the Punjab where deposits amounted to Rs 2,39 lakhs, forming about 18·5 per cent of the working capital. Deposits of societies in some of the other leading states *viz.*, Bombay, Madras and Andhra Pradesh formed only 5·3, 4·9 and 4·4 per cent of their respective working capital.

3.2.17 Mention must be made of a special scheme known as the "Full Finance Scheme" launched in 2 *firkhas* in the Coimbatore and Ramanathapuram districts of Madras for the expansion of credit through co-operatives with a view to making co-operatives the sole supplier of credit — short and medium-term — so as to replace ultimately all other sources of credit. The working of the scheme was reported to be encouraging.

3.2.18 In Andhra Pradesh, the 'Pilot' scheme of integrated rural credit involving a financial outlay of Rs 34 lakhs formulated by the state government, towards the end of

TABLE 3.6 — AGRICULTURAL CREDIT SOCIETIES AS AT THE END OF JUNE 1958

Amounts in lakhs of rupees

State	No. of societies	No. of villages covered	Share capital: Total	Share capital: of which contributed by State Govt.	Total reserves	Deposits
1	2	3	4	5	6	7
Andhra Pradesh	10,681	16,185	**2,51·85**	21·06	1,30·48	70·11
Bombay	18,354	—	**8,72·87**	43·15	3,51·78	1,99·80
Kerala	2,072	4,535	**86·65**	5·40	81·84	47·78
Madhya Pradesh	16,750	38,127	**1,53·82**	36·39	1,04·27	33·96
Madras	8,184	13,061	**1,98·10**	4·50	1,58·82	63·99
Mysore	7,264	20,119	**2,25·08**	6·73	1,16·67	85·50
Punjab	14,344	14,950	**3,00·99**	22·52	1,91·57	2,39·01
West Bengal ..	12,591	18,049	**52·15**	—	46·15	11·81

State	Other borrowings	Total working capital	Loans outstanding	Overdues	*Percentage of overdues to loans outstanding*	*Usual rate of interest charged on loans (per cent p.a.)*
	8	9	10	11	12	13
Andhra Pradesh	11,53·83	**16,06·27**	14,09·91	3,27·63	*23*	*$6\frac{1}{4}$*
Bombay	23,33·30	**37,57·75**	31,61·84	6,41·29	*21*	*$6\frac{1}{4}$–$9\frac{1}{2}$*
Kerala	64·61	**2,80·88**	2,06·67	51·31	*25*	*$6\frac{1}{4}$–$7\frac{1}{2}$*
Madhya Pradesh	8,31·82	**11,23·87**	9,36·90	1,13·89	*12*	*10*
Madras	8,95·13	**13,16·04**	10,77·87	1,47·30	*14*	*$6\frac{1}{4}$*
Mysore	6,64·63	**10,91·88**	8,65·17	2,66·47	*31*	*$6\frac{1}{2}$*
Punjab	5,61·20	**12,92·77**	9,92·09	2,39·88	*24*	*$7\frac{1}{2}$–$9\frac{3}{8}$*
West Bengal ..	1,76·97	**2,87·08**	2,00·08	95·62	*48*	*8*

1955–6 was implemented during the period under review, in a few selected taluks in the Vishakapatnam, West Godavari and Kurnool districts. Eighty-seven large-sized societies and 7 primary marketing societies were organized during the period under review. They were given loans and grants by the state government to the extent of Rs 8·78 lakhs for

the construction of godowns and Rs 1·35 lakhs for processing activities. Besides, they were given subsidies to the extent of Rs 1·10 lakhs for meeting the cost of the managerial staff.

3.2.19 It was reported that a scheme for the planned reorganization of small-sized societies in Mysore was drawn up and would be implemented in 1958–9. A brief account of the number and working of the large-sized societies in some states is given below:

3.3 Madras

There were 245 agricultural banks at the end of the year 1957–8, each agricultural bank generally serving an area of three or four villages and a total population of about 5,000 or thereabout, roughly 100 rural families. These banks had, on their rolls, 1·85 lakhs of members with a paid-up share capital of Rs 43 lakhs. They held deposits amounting to Rs 17 lakhs. The loans issued by these banks during the year 1957–8 amounted to Rs 2,49 lakhs. Besides making loans, the banks also supplied agricultural requisites (Rs 25 lakhs) to their members and marketed their produce (Rs 9 lakhs). The state government contributed Rs 4·50 lakhs to the share capital of 57 agricultural banks. It was reported that the agricultural banks had proved efficient in the matter of recoveries.

3.4 Bombay

Of the 18,354 societies functioning in the state, 1,175 were large-sized credit societies. These societies served 8,302 villages. The average coverage per large-sized society was about 7·1 villages. Average membership, share capital and working capital per society worked out to 277, Rs 23,086 and Rs 1·29 lakhs respectively. Loans advanced by the large-sized societies during the year 1957–8 amounted to Rs 10,46 lakhs. The average loan advanced per society and per member worked out to Rs 89,032 and Rs 321 respectively. Overdues at the end of the year amounted to Rs 1,24 lakhs and formed 12 per cent of the outstandings. During the year 1957–8, the state government had contributed a sum of Rs 30 lakhs to the share capital of 447 large-sized societies. Besides, a sum of Rs 16 lakhs was made available to 147 multi-purpose societies, Rs 12 lakhs as loans and Rs 4 lakhs as subsidy for construction of godowns. A subsidy of Rs 5 lakhs was also given to 1,095 societies for maintaining qualified staff.

3.5 Andhra Pradesh

There were at the end of the period under review 263 large-sized societies. They had a share capital of Rs 66 lakhs at the end of the period under review, of which Rs 39 lakhs were contributed by the state government. Their working capital stood at Rs 3,39 lakhs. They issued loans to the extent of Rs 2,85 lakhs during the year 1957–8. Two hundred and eleven of these societies worked at profit during the year.

3.6 Kerala

There were 74 large-sized societies with 46,495 members and with a paid-up share capital of Rs 17 lakhs of which Rs 5 lakhs were contributed by the state government. The working capital of these societies amounted to Rs 43 lakhs. During the year 1957–8 these societies issued loans to the extent of Rs 29 lakhs and a sum of Rs 26 lakhs was outstanding at the end of the year. Besides providing credit, some of the agricultural

credit societies had also undertaken the purchase and distribution of seeds, manure, agricultural implements, consumer goods, etc. The value of goods distributed amounted to Rs 31 lakhs. The societies also marketed the produce of their members of the value of Rs 8 lakhs.

3.7 West Bengal

The 391 large-sized societies functioning at the end of the period had a membership of 86,561 and a paid-up share capital and a working capital of Rs 11 lakhs and Rs 59 lakhs respectively. The total loans issued by these societies in 1957–8 amounted to Rs 69 lakhs at an average of Rs 17,700 per society and Rs 80 per member. The average per member in the case of small-sized societies was much lower at Rs 40.

3.8 Multipurpose Societies

3.8.1 Mention was made in the last Review of the accepted policy in several states of organizing multipurpose societies in preference to single purpose societies. During the period some states, especially Uttar Pradesh, continued to organize new societies on the former basis. The progress of multipurpose societies in the country during the period under review is indicated in the table given below:

TABLE 3.7 — PROGRESS OF MULTIPURPOSE SOCIETIES

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
No. of societies (in thousands) ..	65	75	75
Membership (in lakhs)	24	42	43
Working capital	**20,63**	**40,97**	**56,09**
Outstandings	13,81	29,90	43,19
Purchases	4,00	1,86	1,83
Sales	3,88	1,52	1,64

N.B.: Figures relating to societies in Madras, Kerala and Mysore were not available.

3.8.2 Uttar Pradesh had the largest number of multipurpose societies at 42,622 at the close of 1957–8 with a membership of 18·14 lakhs and working capital of Rs 13,20 lakhs, compared with 13 lakhs and Rs 7,84 lakhs at the end of 1955–6. At the end of 1957–8 the average working capital per society was Rs 3,098 and that per member was low at Rs 73. Overdues during the period under review rose from Rs 97 lakhs at the close of the year 1955–6 to Rs 1,44 lakhs. The percentage of overdues to outstandings, however, registered a decline from 18·1 to 15·3 per cent. It was reported that vigorous efforts were afoot to reduce the overdues to the minimum. Most of the multipurpose societies were in fact functioning as single purpose societies, dealing mostly in credit. The value of non-credit business undertaken by these societies was small and amounted to Rs 21 lakhs and Rs 39 lakhs during the years 1956–7 and 1957–8. The area of operations of a multipurpose society normally extended to a *Gaon Sabha*. During the period under

review, 4·86 lakhs of new members were admitted. Short-term loans disbursed by these societies during 1957–8 were reported at Rs 10,43 lakhs.

3.8.3 It was reported that most of these societies in other states were doing only credit work, the non-credit activity, where undertaken, being confined to the distribution of commodities.

3.9 Grain Banks

3.9.1 Details regarding the working of grain banks whose main object is to provide facilities for the provision of loans to members in kind and recover them generally on the *sawai* basis at the next harvest season, with an addition of 25 per cent to represent interest are given in the following table:

TABLE 3.8 — OPERATIONS OF GRAIN BANKS

Amounts in thousands of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
No. of banks	8,169	8,191	9,549
No. of members (in thousands) ..	7,30	7,62	10,86
Working capital	**2,42,11**	**2,66,55**	**3,65,87**
Paid-up share capital	72,67	71,86	91,52
Reserve fund	26,53	41,54	39,25
Other reserves	1,09,13	1,15,35	1,30,60
Deposits	20,91	22,74	33,15
Other borrowings	12,78	15,06	71,35
Loans outstanding	1,08,88	1,17,40	2,00,88
Overdues	68,95	80,47	1,24,69
Profit			
No. of banks	n.a.	6,828	6,539
Amount	18,18	19,33	21,57
Loss			
No. of banks	n.a.	809	1,929
Amount	93	3,72	9,43
No. of banks without profit or loss..	n.a.	554	1,081

The grain banks also accepted deposits of grain and arranged for its storage and preservation. Consequent on the break-up of the Hyderabad state as a result of the reorganization of states in November 1956, the grain banks functioning in that state were distributed among the three states, Andhra Pradesh, Bombay and Mysore. Out of a total of 9,549 grain banks in 1957–8 as many as 3,564 were in Andhra Pradesh. The number of grain banks in Bombay and Mysore was 2,781 and 1,098 respectively. In Orissa, there were as many as 1,873 such banks which were popularly known as grain *golas*. Except in

these four states grain banks are not functioning in any appreciable number in the country. The increase in the number of grain banks during the period under review is accounted for mainly by the organization of new grain *golas* in Orissa with government assistance.

3.9.2 Out of the 3,564 grain banks functioning in Andhra Pradesh, 2,709 banks were working at profit, which for the year 1957–8 amounted to Rs 8 lakhs. 480 banks worked at a loss of Rs 30,000. The remaining 375 banks reported no profit or loss. Fresh loans advanced during the year 1957–8 by these grain banks amounted to Rs 7 lakhs. Overdues at the end of the period under review amounted to Rs 40 lakhs forming as high a percentage as 85 of the outstandings.

3.9.3 In Bombay, which reported 2,781 grain banks, 705 banks worked at a loss of Rs 6 lakhs, 1,773 banks at a profit of Rs 4 lakhs while 303 banks worked without profit or loss during 1957–8. Fresh loans advanced by these banks during 1957–8 amounted to Rs 12 lakhs. Even in this state, overdues were high at Rs 27 lakhs forming 82 per cent of the outstandings at the end of the year 1957–8.

3.9.4 Out of 1,098 grain banks functioning in Mysore, 774 banks worked at a profit of Rs 2 lakhs, 72 at a loss of Rs 12,000 and 252 without profit or loss. Fresh loans advanced during 1957–8 amounted to Rs 7 lakhs. Overdues were high at Rs 7 lakhs forming 47 per cent of the outstandings at the end of the period under review.

3.9.5 In Orissa, out of the 1,873 grain *golas* working at the end of the period under review, 1,614 were *Gram Panchayat* grain *golas*. Most of the grain *golas* were dealing in both cash and grain. 483 grain *golas* were reported to be dealing in grain only. The grain *golas* had a membership of 4·11 lakhs. Working capital of these grain *golas* was of the order of Rs 1,28 lakhs. Owned funds and deposits formed 50·3 per cent of the working capital. They advanced grain to the extent of 9·08 lakhs std. maunds and cash loans of Rs 31 lakhs. Collection of loans during the year was 5·64 lakhs std. maunds of paddy and Rs 18 lakhs of cash loans. The percentage of collection to demand was 47 in 1957–8 against 55 during the previous year. The fall in the recoveries is attributed to drought in most of the districts. 1,192 grain *golas* worked at profit (Rs 5 lakhs), 635 at loss (Rs 3 lakhs) and 45 without profit or loss. It was reported that these grain *golas* were popular and working efficiently in the areas which were formerly Indian princely states. They are also reported to be gaining popularity in the coastal districts.

3.10 Rural Banks

3.10.1 Rural banks which existed in Andhra Pradesh and Punjab were in fact large-sized societies satisfying certain criteria while those in Kerala and Madras were institutions engaged in the making of medium-term loans for agricultural purposes. Thus, in Andhra Pradesh the functions of the large-sized societies and rural banks were practically the same in that both were intended to cover a group of villages, with reasonably large membership and adequate share capital; but while large-sized societies generally had a minimum share capital of Rs 20,000 rising up to the optimum limit of Rs 50,000, rural banks generally had initial share capital ranging from Rs 50,000 to Rs 1 lakh. The salient features of a rural bank are that the liability of the members is limited to a multiple of the share capital subscribed by them, its area of operations generally extends to contiguous villages lying within a radius of 3 to 5 miles from its headquarters and its membership is open to all persons within the area of operations. One of the main objects of the rural banks is to mobilize rural savings and to achieve this they provide facilities for savings, current and fixed deposits.

3.10.2 The membership, paid-up share capital, deposits and advances of rural banks functioning at the end of the period under review are indicated in the following table:

TABLE 3.9 — POSITION OF RURAL BANKS

Amounts in lakhs of rupees

State	No. of rural banks		No. of members (in thousands)		Paid-up share capital		Deposits		Advances during	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh ..	96	104	52	65	28·44	41·68	40·36	55·11	1,26·88	1,76·77
Kerala ..	105	130	1,10	1,31	19·79	24·40	15·96	26·10	43·28[1]	87·74
Madras ..	23	22	20	23	9·89	11·07	18·19	18·60	16·27[1]	71·13

[1] for 8 months from 1 November 1956 to 30 June 1957.

It may be seen from the above table that the rural banks have made some progress in Andhra Pradesh and Kerala. The rural banks in Madras were able to attract substantial deposits, which amounted to Rs 19 lakhs at the end of 1957–8. In Andhra Pradesh, the banks provide short and medium-term loans on personal surety or the mortgage of immovable property or the pledge of produce or gold or other approved securities; but in Madras the rural banks provide mainly medium-term loans for agricultural purposes which are granted on the security of immovable property. The departmental officers were working as secretaries of these rural banks and a part of their cost was met by government. In Kerala, as in Madras, the rural banks were organized mainly to supply the medium-term credit needs of the agriculturists.

3.11 Societies under Liquidation

During the period under review, 4,339 societies were brought under liquidation and the affairs of 3,297 societies which had been under liquidation were finally wound up. At the close of the period under review, there were 14,611 societies under liquidation consisting of 98 central banks, 8,433 agricultural societies and 6,080 non-agricultural societies. The number of agricultural societies in liquidation was high at 1,896 and 1,450 in Bombay and Madhya Pradesh respectively.

3.12 Classification of Societies in Audit

During the period under review all the societies on the rolls were not audited. Among the agricultural credit societies audited, the bulk continued to be classed under 'C', the percentage of such societies to the total number of societies for 1957–8 being as high as 79·1 in Andhra Pradesh, 65·3 in Orissa, 61·2 in Delhi, 53·2 in Himachal Pradesh and 52 in Punjab. The percentage of 'A' and 'B' class societies was small in most of the

states. Except for Assam and Madhya Pradesh for which no data were received, in all the states other than Jammu and Kashmir, 'A' class societies formed less than 10 per cent of the total. The position in regard to 'B' class societies was slightly better and formed more than 10 per cent in as many as 10 states. 'D' class societies predominated in Jammu and Kashmir.

3.13 Central Co-operative Banks

3.13.1 The process of amalgamation and reorganization of central banks with the aim of having one strong central bank for a district on the lines recommended by the Standing Advisory Committee on Agricultural Credit was continued during the period under review. As a result, the number of central co-operative banks came down from 478 to 418 during the period under review. The number at the end of the period included 9 industrial co-operative banks, four in each of the states of Mysore and Bombay and one in Uttar Pradesh. The number also included 7 taluqa banks in Bombay. The reduction in the number of banks was substantial in the Punjab. As against 56 and 18 banks functioning in the erstwhile states of Punjab and PEPSU, the reorganized Punjab state had only 37 banks at the end of the period. In Assam, the number was brought down from 15 to 10. At the same time, central co-operative banks were formed in some states in areas where they were not functioning. In pursuance of the policy of encouraging the establishment of central co-operative banks to serve the districts as central financing agencies, the Bombay State Co-operative Bank closed down 26 of its branches in five districts after transferring their business to five central co-operative banks of which three were existing institutions and two were started during the period. In Andhra Pradesh, one central bank was started to serve the Hyderabad district, which had till then been served by the apex bank direct. In Madras, one bank was started to serve the Kanyakumari district. Besides, the banks which were functioning as state co-operative banks in the erstwhile Part 'C' states of Ajmer, Bhopal, Coorg and Vindhya Pradesh were converted into central co-operative banks, on the states being merged with other states as a result of the reorganization of states.

3.13.2 The operations of central co-operative banks and banking unions during the period under review may be seen in the table 3.10 on page 25. The membership of the banks was on the increase during the period under review, rising from 1·4 lakhs individuals and 1·6 lakhs societies at the beginning of the period under review to 1·5 lakhs individuals and 1·8 lakhs societies at the end of the period. A heavy concentration of individual membership was noticed in Bombay, Madhya Pradesh and Mysore, which together accounted for four-fifths of the individual members in all states.

3.13.3 The paid-up share capital of the central banks recorded a substantial increase from Rs 8,50 lakhs to Rs 17,07 lakhs during the period under review. Out of the total share capital of Rs 17,07 lakhs, Rs 3,21 lakhs represented state contribution, forming 18·8 per cent of the total; the shares held by primary and other co-operative societies formed nearly 72 per cent. The percentage of paid-up capital to working capital registered an increase during the period from 9·2 to 11·6. In spite of the increase in the paid-up share capital, it was noticed that in the case of states such as Bihar, Jammu and Kashmir, West Bengal, Assam and Rajasthan, the average share capital per bank continued to be low and inadequate. In the case of the former three states, it was less than Rs 1 lakh at Rs 0·67 lakh, Rs 0·94 lakh and Rs 0·92 lakh respectively. In the case of the other two states it was Rs 1·82 lakhs and Rs 1·92 lakhs respectively. The average share capital exceeded

TABLE 3.10 — OPERATIONS OF CENTRAL CO-OPERATIVE BANKS AND BANKING UNIONS

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
No. of banks	478	451	418
MEMBERSHIP (IN THOUSANDS)			
Individuals	1,44	1,47	1,47
Banks & Societies	1,56	1,64	1,76
Working capital	**92,67**	**110,26**	**147,00**
Owned funds	15,15	18,45	24,99
Deposits	55,71	58,48	66,88
Other borrowings	21,80	33,33	55,13
ADVANCES			
Individuals	9,44	15,96	159,87 (Individuals and Banks & Societies)
Banks & Societies	70,40	84,84	
RECOVERIES			
Individuals	9,03	14,98	132,60 (Individuals and Banks & Societies)
Banks & Societies	59,16	50,35	
OUTSTANDINGS			
Individuals	3,48	3,86	3,59
Banks & Societies	50,86	68,04	97,37
Overdues	7,88	9,34	11,88
Overdues as percentage of outstandings	*14·55*	*13*	*11·8*

Rs 10 lakhs in Madras (Rs 10·04 lakhs) and Kerala (Rs 10·14 lakhs). The average exceeded Rs 5 lakhs in Andhra Pradesh (Rs 7·05 lakhs), Bombay (Rs 7·08 lakhs) and Mysore (Rs 7·93 lakhs). The average per central bank was, for Madhya Pradesh Rs 3·32 lakhs, for Orissa Rs 3·64 lakhs, for Punjab Rs 3·40 lakhs and for Uttar Pradesh Rs 4·60 lakhs. In terms of the average working capital, Kerala which had only 2 central banks took the lead with Rs 1,20 lakhs which was followed by Madras (Rs 89 lakhs), Andhra Pradesh (Rs 74 lakhs) and Bombay (Rs 68 lakhs). The average was less than Rs 20 lakhs in 5 states *viz.* Assam, Bihar, Jammu and Kashmir, West Bengal and Rajasthan touching as low a level as Rs 6 lakhs in Bihar. Apart from obtaining government contribution, one method adopted by central co-operative banks for strengthening their share capital structure was to link up the borrowings of societies with their share-holdings in the bank. Thus in Kerala, Orissa, West Bengal and Andhra Pradesh (Telangana area), societies were required to contribute one-tenth of their

borrowings to the share capital of central banks. In Assam, while societies with government participation were required to contribute in this proportion, those without such participation have to contribute at 5 per cent. In states such as Bombay, Mysore and Madras, this proportion was fixed at 5 per cent. In Jammu and Kashmir, the proportion was two and a half per cent. Societies in Uttar Pradesh could ordinarily get a loan up to eight times the paid-up value of shares held in the financing bank.

3.13.4 The statutory reserves of the banks recorded a small increase of Rs 54 lakhs and rose to Rs 3,91 lakhs during the period under review. Except in states such as Andhra Pradesh, Bombay, Kerala, Madras, Mysore and Punjab, the average reserve fund per bank was less than Rs 1 lakh, it being as low as Rs 8,000 in Assam. The other reserves including the bad debts reserve similarly registered a small increase of Rs 72 lakhs and rose to Rs 4,00 lakhs during the period under review. The bad debts reserves were inadequate to cover the estimated bad and doubtful debts in as many as six states. In almost all the states, the central co-operative banks were required to invest their reserve fund outside their business. In Bombay, however, the position was different. In the erstwhile Bombay and Saurashtra regions, the banks were permitted to utilize the reserve fund in their own business as provided under the respective Co-operative Societies Acts and the rules in force. In the Vidarbha region of the enlarged state, on the other hand, the reserve funds of co-operative banks were required to be invested in the registrar's name as a deposit with the apex bank. The central banks were later directed to invest their reserve funds upto 20 per cent in the shares of the apex bank and 80 per cent in government securities. In the Marathwada region, it was reported that the central banks invested their reserve fund in apex bank and in certain cases in government securities. In Assam, a part of the reserve fund was allowed to be utilized by co-operative banks in their business with the previous approval of the registrar of co-operative societies. In Mysore and Jammu and Kashmir, the banks are required to invest their reserve fund outside their business until such time as the respective statutory reserve fund is equal to their paid-up share capital. Thereafter, the surplus may be utilized in the business of the respective institutions. A mention was made in the last Review of the recommendations of the Standing Advisory Committee on Agricultural Credit at its fifth meeting in regard to the reserve fund of co-operative institutions at various levels. The Committee had recommended that the reserve fund of co-operative societies at the primary level, and of the central co-operative banks at the intermediate (District) level should be invested outside their business until such time as their respective statutory reserve funds were equal to their paid-up share capital. Thereafter, the surplus might be utilized in the business of the respective institutions. In the case of primary credit societies, the reserve fund should be invested in the central co-operative bank to which they are affiliated. In the case of central co-operative banks, it should be invested in the state co-operative bank to the extent of at least 50 per cent, the surplus being invested in government or trustee securities. These recommendations of the Committee were communicated to the registrars of co-operative societies by the Reserve Bank and most of the registrars had reported that the co-operative institutions in their regions had been instructed to take action on these lines.

3.13.5 Though the owned funds of the central banks showed an overall increase from Rs 15,15 lakhs to Rs 24,99 lakhs during the period under review, many of them had not reached the standard of Rs 3 lakhs per bank recommended by the Standing Advisory Committee on Agricultural Credit, as a desirable minimum limit of owned capital. The average owned funds per bank was low in Assam (Rs 1·97 lakhs), Bihar (Rs 1·04 lakhs), Jammu and Kashmir (Rs 2·14 lakhs), Rajasthan (Rs 2·56 lakhs) and West Bengal (Rs 1·85 lakhs). The average owned funds in certain other states would

have been lower but for the efforts made for the elimination of weak and uneconomic banks by amalgamating them with other stronger banks. In most of the states the maximum borrowing power of a central bank is related to its owned capital and is placed at generally 10 to 12 times the paid-up share capital and reserve fund.

3.13.6 During the period under review, the deposits of the central banks showed a rise of only Rs 11,17 lakhs as against Rs 14,52 lakhs during the period 1954–6. The deposits at the end of the period stood at Rs 66,88 lakhs, of which Rs 44,38 lakhs, i.e. nearly two-thirds, were held by individuals. Although no special schemes were adopted by the banks to attract deposits, efforts were made in many states to secure increased deposits by raising interest rates, by propaganda and advertisement. The issue of savings certificates in small denominations for mobilizing rural savings was under consideration in Jammu and Kashmir. The rates of interest offered on deposits by central co-operative banks were fairly attractive; on current deposits the rate was generally from ¼ per cent to 1 per cent and on savings deposits it usually ranged from 1½ per cent to 2½ per cent. Fixed deposits were accepted at rates ranging from 2 per cent to 4½ per cent depending on the period.

3.13.7 In addition to deposits, borrowings from other sources such as the state co-operative banks, government, joint stock banks, etc. contributed to the working capital of the central banks. In fact, the proportion of such borrowings to the working capital was on the increase during the period under review, rising from 23·5 per cent to 37·5 per cent. The proportion of "other borrowings" to the total working capital was high in almost all states; in Andhra Pradesh, Assam, Bihar and Jammu and Kashmir it exceeded 50 per cent. In Assam, it was as high as 85 per cent. Apex banks continued to be the main source of funds and outstanding borrowings from them amounted to Rs 45,22 lakhs at the end of the period under review. Some central banks, particularly in Madras and Punjab, also obtained financial accommodation from the local branches of the State Bank of India against government and other trustee securities. The borrowings from the government amounted to Rs 3,65 lakhs at the end of the period. The central banks in four states, *viz.*, Bombay (Rs 69 lakhs), Mysore (Rs 78 lakhs), Punjab (Rs 58 lakhs) and Uttar Pradesh (Rs 62 lakhs) accounted for nearly three-fourths of such borrowings.

3.13.8 The increase in the owned funds, deposits and other borrowings indicated above resulted in a rise of Rs 48·77 lakhs in the working capital of central co-operative banks during the period under review. The proportion of owned funds, deposits and borrowings respectively to total working capital is shown in the table 3.11 on page 28. It may be observed that there was no material change in the ratio of owned funds to working capital but the percentage of deposits to working capital had dropped steeply from 60·2 to 45·5 during the period under review. Consequently, the percentage of other borrowings showed an increase from 23·5 to 37·5. This indicated that the deposits had not kept pace with the increase in the working capital and the central banks were looking to the apex banks for their requirements to a much larger extent than before.

3.13.9 The volume of fresh advances made by central co-operative banks showed a considerable increase during the period under review — from Rs 79,84 lakhs during 1955–6 to Rs 100,80 lakhs during 1956–7 and to Rs 159,87 lakhs during 1957–8. The

TABLE 3.11 — WORKING CAPITAL OF CENTRAL CO-OPERATIVE BANKS

Lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
Working capital	**92,67**	**110,26**	**147,00**
Owned funds	15,15	18,45	24,99
	(16·3)	*(16·8)*	*(17·00)*
Deposits	55,71	58,48	66,88
	(60·2)	*(53·0)*	*(45·5)*
Other borrowings	21,80	33,33	55,13
	(23·5)	*(30·2)*	*(37·5)*

(Figures in brackets represent percentages to working capital).

advances made during the year 1957–8 include Rs 15,12 lakhs representing bills discounted, the bulk of which was accounted for mainly by the central banks in the two states of Bombay and Mysore where the banks directly dealt with individuals to a large extent. Out of the advances during 1957–8, Bombay accounted for Rs 50,02 lakhs, representing about 31 per cent of the total. The other states where substantial amounts were disbursed were Mysore (Rs 22,47 lakhs), Andhra Pradesh (Rs 21,84 lakhs), Madras (Rs 21,29 lakhs), Uttar Pradesh (Rs 10,64 lakhs) and Punjab (Rs 8,47 lakhs). As in the previous years, the bulk of the advances was made to rural credit and marketing societies and relatively small amounts were advanced to other types of societies. Of the total loans of Rs 159,87 lakhs, short-term loans amounted to Rs 133,70 lakhs. The usual rate of interest charged by the banks to societies on advances varied from 2½ per cent charged by banks in Bombay on loans for production and marketing of handloom cloth to 9⅜ per cent, the highest being charged by banks in West Bengal on medium-term loans for agricultural and other purposes. The usual rate of interest charged by central co-operative banks in Andhra Pradesh, Bombay, Jammu and Kashmir and Madras on short-term loans for agricultural purposes was 4½ per cent. In other states, the rate was higher and was as high as 7½ per cent in Madhya Pradesh. While the usual rate of interest on medium-term loans for agricultural purposes was maintained at 4½ per cent in Bombay, Jammu and Kashmir and Madras, it was 5½ per cent in Andhra Pradesh. In Madhya Pradesh, the usual rate of interest on such loans was 7½ per cent as in respect of short-term loans.

3.13.10 The outstandings of loans advanced by central co-operative banks at the end of the period under review aggregated Rs 100,99 lakhs, of which those against individuals and others were of the order of Rs 3,59 lakhs forming about 3·6 per cent of the total. Bombay and Mysore together accounted for Rs 2,58 lakhs or 72 per cent of the total outstandings against individuals.

3.13.11 Although some improvement in the position of overdues at the end of the period under review was noticed it was still far from satisfactory. The percentage of overdues to loans outstanding decreased from 14·5 at the end of 1955–6 to 11·8 at the end of 1957–8. This was particularly due to a substantial increase in fresh advances resulting in a corresponding increase in outstandings at the end of the period. As has

been indicated earlier, overdues have to be reckoned in relation to demand rather than outstandings for arriving at a correct appraisal of the position. Information regarding 'demand' was not available in most of the states, since many banks had not introduced the necessary registers from which such information could be obtained. In some of the states like Jammu and Kashmir, West Bengal and Bihar the percentage of overdues to outstandings was very high at 76, 47 and 46 respectively. The overdues were the lowest in Madras, where it was 1·5 per cent of the outstandings. In Bombay and Andhra Pradesh, the percentages stood at 12·3 and 8·7 respectively. From the available figures as regards the classification of overdues according to period, it was observed that as against a total of Rs 12,08 lakhs, Rs 6,88 lakhs were overdue for less than 1 year, Rs 2,19 lakhs for periods exceeding 1 year but less than 2 years, Rs 1,07 lakhs between 2 and 3 years and Rs 1,94 lakhs for over 3 years. Overdues for over 3 years formed about 16 per cent of the total overdues. Such overdues were the heaviest in Madhya Pradesh, Madras and West Bengal where they formed about 25, 32 and 28 per cent respectively of the total overdues. Bad and doubtful debts also showed an increase of Rs 29 lakhs and rose to Rs 1,46 lakhs during the period under review. Of the total, Rs 27 lakhs were accounted for by Bombay, Rs 25 lakhs by Punjab, Rs 23 lakhs by Andhra Pradesh, Rs 18 lakhs by West Bengal, Rs 12 lakhs by Madras and Rs 11 lakhs by Madhya Pradesh. In some of the states such as Andhra Pradesh, Assam, Bihar, Orissa, Punjab, Rajasthan and West Bengal, the bad and doubtful debts of all the central banks exceeded the reserves created by the banks for the purpose.

3.13.12 The central co-operative banks in most states were reported to be confining their functions to banking and not engaging in any trading activity. This was an encouraging sign. One or two central banks in Bombay were reported to be distributing iron and steel to agriculturists purely as a transitional arrangement pending the organization of purchase and sale unions.

3.13.13 State governments have been assisting central co-operative banks by contributing towards their share capital and by granting loans and subsidies. Contributions to their share capital by state governments at the end of the period under review amounted to Rs 3,21 lakhs of which Rs 1,07 lakhs and Rs 54 lakhs were accounted for by Bombay and Madhya Pradesh respectively. As mentioned earlier, loans given by the government at the end of the period amounted to Rs 3,65 lakhs. Subsidies were generally given to meet the cost of supervision and management and for compensating the banks for the losses incurred in running uneconomic branches. In some states such as Andhra Pradesh and West Bengal, departmental officers were deputed to the central co-operative banks free of cost. For details of such assistance given, please see Chapter 2 — 'Planning and State Aid.'

3.14 State Co-operative Banks

3.14.1 At the beginning of the period under review, there were 24 state co-operative banks. As indicated earlier, the reorganization of states effected on 1 November 1956 brought in its wake certain problems relating to apex co-operative institutions. An informal conference consisting of representatives—official and non-official—from the states that would be affected most by the reorganization, besides officials from the Government of India, was convened by the Reserve Bank in May 1956 for considering the problems that were likely to arise in this context. A broad measure of agreement was reached at the conference on the principles to be followed in effecting the reorganization of the apex co-operative institutions. It was accepted that ultimately, there should be only one apex

co-operative bank in each state and that no state co-operative bank should serve more than one state. The conference also drew up a time schedule for the implementation of the scheme of division or amalgamation as the case may be. But as the necessary steps in this regard could not be completed before the 'appointed day', some reorganized states came to have more apex banks than one and the state government declared each of such institutions as a state co-operative bank coming within the meaning of Section 2(*f*) of the Reserve Bank of India Act. Thus as on the date of reorganization, there were 3 apex banks in Bombay, two each in Andhra Pradesh, Madhya Pradesh and Punjab. This was intended to be purely transitional and arrangements were to be made as quickly as possible for achieving the object of having only one apex bank in each state. As far as Bombay was concerned, the Conference of the representatives of central co-operative financing agencies in the enlarged Bombay state held in December 1956, to consider the future set up of the co-operative banking structure in the state, approved the general principle that ultimately there should be only one apex co-operative bank in each state. As a transitional arrangement, however, with a view to facilitating the process of reorganization, it was decided at the conference to continue in its then existing form, the Saurashtra State Co-operative Bank for a period not exceeding three years. It was also decided that the Vidarbha Co-operative Bank should take steps to achieve the objective in as short a period as possible. The three banks, therefore, continued to function during the period under review. As a consequence of the merger of the erstwhile Hyderabad state with the three neighbouring states, the Hyderabad State Co-operative Bank functioning in that state was reconstituted as the Hyderabad Co-operative Apex Bank to serve the central banks in the Telangana area of Andhra Pradesh. The assets and liabilities of central banks in the districts of Karnataka and Marathwada areas in the Hyderabad State Co-operative Bank were transferred to the Mysore and Bombay State Co-operative Banks respectively. The amalgamation of the Hyderabad State Co-operative Bank with the Andhra State Co-operative Bank was under consideration but could not be completed during the period under review. In anticipation of the reorganization of the erstwhile state of Madhya Pradesh, the Madhya Pradesh Co-operative Bank was split up into two banks, the Vidarbha Co-operative Bank and the Mahakoshal Co-operative Bank, the former to serve the eight *Marathi* speaking districts and the latter the other 14 districts of the former state of Madhya Pradesh respectively. Thus there were two apex banks functioning in the reorganized state of Madhya Pradesh, *viz.* the Mahakoshal Co-operative Bank and the Madhya Bharat State Co-operative Bank. The reorganized Punjab state, similarly, had two apex banks, *viz.* the Punjab State Co-operative Bank and the PEPSU State Co-operative Bank. The two apex banks functioning in each of the reorganized states of Madhya Pradesh and Punjab were amalgamated during the period under review to form the Madhya Pradesh State Co-operative Bank and the Punjab State Co-operative Bank respectively.

3.14.2 With effect from 1 November 1956 the four apex banks functioning in the erstwhile Part 'C' states of Ajmer, Bhopal, Coorg and Vindhya Pradesh were converted into central co-operative banks and they ceased to function as apex banks. During the period under review two more apex banks were organized, one in Manipur and the other in Tripura. Thus, as at the end of the period under review, there were 21 state co-operative banks. However, in the two centrally administered areas of Andaman and Nicobar Islands and Pondicherry no apex bank had been organized.

3.14.3 Consolidated figures showing the operations of state co-operative banks during the period 1956–8 are given in the table 3.12 on page 31.

TABLE 3.12 — OPERATIONS OF STATE CO-OPERATIVE BANKS

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
Number of banks	24	23	21
MEMBERSHIP (IN THOUSANDS)			
Individuals	12	10	9
Banks and societies	25	23	24
Working capital	**63,34**	**79,54**	**109,14**
Share capital	4,37	5,31	8,47
Owned funds	7,65	8,78	11,93
Deposits	36,67	38,39	45,45
Other borrowings	19,02	32,37	51,76
Investments	18,39	19,96	25,30
FRESH ADVANCES			
Individuals	9,76	9,95	212,48
Banks and societies	58,10	113,77	
RECOVERIES			
Individuals	9,26	10,16	187,90
Banks and societies	48,31	100,47	
OUTSTANDINGS			
Individuals	2,63	2,74	3,74
Banks and societies	32,14	46,88	70,99
Overdues	3,70	4,10	5,50
Bad and doubtful debts	1,91	1,88	2,02

While the individual membership of the apex banks declined from 11,743 to 8,609, the number of banks and societies affiliated to them also fell from 24,651 to 23,572. This small decline in the society membership was due to the four state co-operative banks in the erstwhile states of Coorg, Ajmer, Vindhya Pradesh and Bhopal ceasing to function as apex banks after the reorganization of states. The two apex banks formed during the period under review accounted for 227 members. All the apex banks with the exception of those in Mysore and West Bengal and the Andhra State Co-operative Bank had individual members, their number being specially large in the case of Bombay (Bombay and Vidarbha), Kerala and Uttar Pradesh. The erstwhile Punjab State Co-operative Bank had not enrolled any individual members but it inherited a large number of them from the PEPSU State Co-operative Bank when the latter was amalgamated with it.

3.14.4 The total share capital of the apex banks registered an increase from Rs 4,37 lakhs at the end of 1955–6 to Rs 8,47 lakhs. Of the increase, Rs 2,23 lakhs represented contributions made by the state governments, of which, in turn Rs 60 lakhs were accounted for by Bombay, Rs 30 lakhs by Madhya Pradesh, Rs 25 lakhs each by Madras and Mysore, Rs 21 lakhs by Assam, Rs 16 lakhs by Punjab and Rs 15 lakhs by Andhra Pradesh. In as many as ten states, the government contribution to the share capital exceeded 50 per cent of the total and in the case of Bihar it was as high as 90 per cent.

3.14.5 The All-India Rural Credit Survey Committee had recommended the constitution of an Agricultural Credit (Stabilization) Fund by the apex banks, central co-operative banks and, wherever feasible, by large-sized societies, for the purpose of enabling them to convert short-term advances into medium-term loans in extraordinary circumstances when repayment of the former became difficult. In pursuance of this recommendation, nine apex banks, *viz.*, those of Madras, Bombay, Vidarbha, Andhra, Hyderabad, Kerala, Mysore, Madhya Pradesh and Punjab created an Agricultural Credit (Stabilization) Fund during the period under review.

3.14.6 The deposits of the apex banks had registered an increase of Rs 8,78 lakhs during the period under review and rose to Rs 45,45 lakhs, as may be observed from the following table:

TABLE 3.13 — DEPOSITS IN STATE CO-OPERATIVE BANKS

Lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
Deposits from			
Co-operative Banks	10,21	7,89	12,82
Primary Societies	7,61	9,97	13,60
Individuals and others	18,85	20,53	19,03
Total deposits	**36,67**	**38,39**	**45,45**

Deposits from individuals formed 42 per cent of the total. The deposits were small in some apex banks such as Jammu & Kashmir, Kerala, Punjab and Rajasthan and except in the case of Assam, Bihar, Bombay and West Bengal the increase in deposits had not kept pace with the increase in the working capital. In states such as Andhra Pradesh, Madras, Bombay, Punjab, Kerala, Mysore, Himachal Pradesh, Delhi and Tripura, co-operative banks had been recognized as agencies with which certain classes of public funds of quasi-government institutions, local bodies and *panchayats* might be deposited but in some other states such as Uttar Pradesh, Orissa and West Bengal co-operative banks had not received such recognition. It was reported that in Uttar Pradesh, the Education Department had allowed state-aided educational institutions to invest their funds with the Uttar Pradesh Co-operative Bank. Even in states where such recognition had been given it was not obligatory on the part of institutions to deposit any proportion of their surplus funds with co-operatives but co-operative banks had to compete with commercial banks to attract deposits. The need for special efforts to raise deposits in an increasing measure can hardly be over-emphasized.

3.14.7 As in the period 1954–6, borrowings from other sources showed a substantial increase during 1956–8 also from Rs 19,02 lakhs to Rs 51,76 lakhs, the percentage of increase being 172. The main source of such borrowings continued to be the Reserve Bank, the amount outstanding in respect of such borrowings being Rs 44,08 lakhs. Particulars of loan assistance provided by state governments are indicated in the Chapter 'Planning and State Aid.' Financial accommodation provided by the Reserve Bank to the

state co-operative banks for financing seasonal agricultural operations and marketing of crops at the concessional rate of 2 per cent below the Bank Rate, continue to show a rising trend as will be observed from the following table:—

TABLE 3.14 — CONCESSIONAL SHORT-TERM FINANCE PROVIDED BY RESERVE BANK TO STATE CO-OPERATIVE BANKS FOR AGRICULTURAL PURPOSES

Amounts in lakhs of rupees

Item	1954–5	1955–6	1956–7	1957–8
1	2	3	4	5
No. of banks accommodated	16	19	21	17
Credit limits sanctioned	21,21	29,64	35,25	48,24
Amount drawn	18,04	25,61	34,81	61,38
Amount outstanding	8,11	12,98	23,32	40,47

The limits fixed by the Reserve Bank to the state co-operative banks increased during the years under review, from Rs 29,64 lakhs in 1955–6 to Rs 48,24 lakhs in 1957–8. The outstandings against these loans at the end of the respective years stood at Rs 12,98 lakhs and Rs 40,47 lakhs. There are several reasons for the increase in the short-term loans. Firstly, the strengthening of the owned funds structure of the co-operative institutions by contribution to their share capital by the state governments rendered it possible for them to borrow more. Secondly, in the states where the accommodation was being provided against the signature of the state co-operative banks and the state governments, the latter were willing to give guarantees for higher amounts so as to enable the co-operative societies to fulfil the credit targets fixed under the Plan. Thirdly, the Reserve Bank liberalised its standards for fixation of credit limits to central banks so that the banks could obtain a larger amount of concessional finance. The revision of the standards was made in pursuance of the recommendations of the Standing Advisory Committee on Agricultural Credit at its fifth meeting held in January 1956. The old and the revised standards are as follows:

Audit classification of the bank	Previous standards in relation to owned funds		Revised standards in relation to owned funds	
	Normal	Exceptional	Normal	Exceptional
A	2 times	3 times	3 times	4 times
B	Equal to	2 times	2 times	3 times
C[1]	Equal to		2 times	

[1] On the special recommendation of the Registrar.

3.14.8 Besides the above, a beginning was also made by the Reserve Bank during 1956–7 in the direction of providing the working capital requirements of co-operative sugar factories. The Bank had sanctioned short-term credit limits of Rs 30 lakhs and Rs 3,00 lakhs during the years 1956–7 and 1957–8 respectively to the Bombay State Co-operative Bank to enable it to finance co-operative sugar factories affiliated to it for their working capital requirements. These limits were, however, sanctioned at the Bank Rate.

3.14.9 The period under review also witnessed an increased provision of medium-term finance at 2 per cent below the Bank Rate for agricultural purposes from the Reserve Bank of India, as could be seen from the table below:—

TABLE 3.15 — MEDIUM-TERM FINANCE PROVIDED BY RESERVE BANK OF INDIA

Amounts in lakhs of rupees

Item	1954–5	1955–6	1956–7	1957–8
1	2	3	4	5
No. of banks accommodated ..	4	14	9	14
Amount sanctioned	1,22	1,40	1,67	7,72
Amount drawn	27	90	1,06	2,80
Amount outstanding	22	99	1,58	3,42

It may be observed that the total volume of medium-term loans sanctioned was on the increase and reached a peak figure of Rs 7,72 lakhs. This was made possible by an amendment to the Reserve Bank of India Act in 1956 setting up the National Agricultural Credit (Long-term Operations) Fund, which provided, *inter alia*, for provision of medium-term loans to state co-operative banks for agricultural purposes. With the setting up of this Fund, the two restrictions that were earlier placed *viz.*, those of limiting the total volume of such loans to Rs 5 crores and of limiting such loans to individual state co-operative banks to their owned funds, were removed. Although loans to the extent of Rs 7,72 lakhs were sanctioned during 1957–8, the banks could draw only Rs 2,80 lakhs during the year.

3.14.10 It may be mentioned in this connection that the question of security behind medium-term loans was engaging the attention of the Reserve Bank during the period under review. It was noticed that mortgage of land was the most usual form of security taken for medium-term loans, but as land and tenancy reforms were being introduced by various states, there was a possibility of restrictions being placed on the mortgageability and saleability of land. Even as it was, there were restrictions placed on the alienability or saleability of land in certain tracts or some limitations were imposed on certain class of agriculturists. The Reserve Bank, therefore, stipulated that medium-term loans given by it should not be passed on to agriculturists in areas where there were restrictions on the alienability or saleability of land, which would render proceedings against the mortgage security difficult. The Bank's policy on the question of security for medium-term loans was considered by the Standing Advisory Committee at its tenth meeting held in October 1958, and it was indicated that, in essentials, no change in the existing policy followed by the Reserve Bank in giving medium-term loans against the security of land was called for.

3.14.11 The total outstandings of the state co-operative banks from the Reserve Bank as at the end of the period under review aggregated Rs 44,08 lakhs and formed about 40 per cent of the working capital as against 22 per cent at the end of 1955–6. Thus there has been a growing tendency on the part of state co-operative banks to depend on the Reserve Bank for the funds required by them.

3.14.12 A reference may be made here to the rate of interest charged by the Reserve Bank of India on its short and medium-term advances to state co-operative banks. It is well known that the Reserve Bank has been making loans for short and medium-term agricultural purposes at a concessional rate of interest. The effective rate on short-term loans for seasonal agricultural operations and marketing of crops was 1½ per cent since 1946 and the same rate was being charged on medium-term loans since the inception of the scheme in 1954. With the increase in the Bank Rate from 3½ per cent to 4 per cent from 16 May 1957, the concessional rate was increased to 2 per cent (*i.e.* 2 per cent below the Bank Rate). It was, however, decided by the Bank, that outstandings of advances made up to 15 May 1957 would continue to be charged at the concessional rate of 1½ per cent, until they were due for repayment. The enhanced rate of 2 per cent was made applicable to advances granted on or after 16 May 1957.

3.14.13 The cost of management of state co-operative banks as a percentage of the working capital continued to decline during the period under review, from 0·9 for 1955–6 to 0·71 for 1956–7 and further to 0·68 for 1957-8. The cost of management was above 1 per cent of the total working capital for the year 1957–8 in six states, *viz.* Assam, Bihar, Kerala, Himachal Pradesh, Manipur and Tripura. It was as low as 0·1 in Andhra and Mysore and 0·3 in Madras.

3.14.14 The investments of state co-operative banks including those in government and other securities, shares of co-operative institutions, etc., increased from Rs 18,39 lakhs as at the end of the year 1955–6 to Rs 19,96 lakhs at the end of the year 1956–7 and further to Rs 25,30 lakhs at the end of the year 1957–8. About 73 per cent of the investments at the end of the period under review was in government or trustee securities. The profits of the state co-operative banks rose substantially during the period under review from Rs 38 lakhs to Rs 70 lakhs, the profits of the Bombay, Madras and Andhra State Co-operative Banks for the year 1957–8 being Rs 8 lakhs, Rs 5 lakhs and Rs 8 lakhs respectively. Only the West Bengal Provincial Co-operative Bank and the newly created Manipur State Co-operative Bank worked at a loss during 1957–8.

3.14.15 As in the case of central co-operative banks fresh loans issued by state co-operative banks showed a large increase during the period under review. The loans issued during the years 1956–7 and 1957–8 aggregated Rs 123,72 lakhs and Rs 212,48 lakhs respectively, against Rs 67,86 lakhs during the year 1955–6. The outstandings of loans advanced by state co-operative banks as at the end of the period under review aggregated Rs 74,73 lakhs. Of these, Rs 70,99 lakhs represented advances to co-operative banks and societies and Rs 3,74 lakhs to individuals. Of the latter Rs 1,50 lakhs and Rs 1,19 lakhs were accounted for by Assam and Uttar Pradesh respectively. Recoveries effected by state co-operative banks were fairly satisfactory. The overdues increased from Rs 3,70 lakhs to Rs 5,50 lakhs during the period under review though the percentage of overdues to outstandings declined from 10·6 to 7·4. The overdues were particularly heavy in West Bengal which reported Rs 2,14 lakhs overdues against outstandings of Rs 2,85 lakhs. However, as much as 1,70 lakhs or 79 per cent represented outstandings against central banks in East Bengal. Madras and Rajasthan reported that the entire demand in regard to both principal and interest was collected, leaving no overdues.

Overdues were on the decrease in the case of the Andhra State Co-operative Bank from Rs 8 lakhs to Rs 2·87 lakhs, while they were on the increase in the case of apex banks such as Assam, Saurashtra, Vidarbha, Jammu & Kashmir, Kerala and Himachal Pradesh.

3.14.16 An undesirable feature in the working of some of the state co-operative banks *e.g.* those in Assam, Madhya Pradesh and Vidarbha, has been the financing of individuals. The Assam Co-operative Apex Bank continued to lend to individuals — generally contractors, traders and tea-garden owners — its outstandings against them amounting to Rs 1,50 lakhs on 30 June 1958. In Madhya Pradesh, such finance was given to traders. There was a sizeable reduction in the outstandings against individuals from Rs 32 lakhs to Rs 15 lakhs in the case of the Bombay State Co-operative Bank. It is hoped that the apex banks will gradually give up this business and restrict their advances to individuals only in regard to loans sought for against the security of their respective fixed deposits.

3.14.17 A feature in the working of the Bihar State Co-operative Bank to which reference was made in the last Review related to its undertaking trading activities under its 'Credit Agricole Scheme'. As a result of the suggestions repeatedly made by the Reserve Bank, the state co-operative bank had transferred at the end of the period under review all its trading activities such as distribution of fertiliser, coal, iron and text books to the Bihar State Co-operative Marketing Union.

3.15 Urban Credit

3.15.1 The credit requirements of people residing in urban or semi-urban areas are met by non-agricultural credit societies such as urban banks, salary earners' societies and other special types of societies established for particular communities or persons following a particular vocation. Details in regard to the operations of such societies are given in the following table:

TABLE 3.16 — POSITION OF NON-AGRICULTURAL CREDIT SOCIETIES

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
No. of societies	10,003	10,150	10,430
Membership (in thousands)	30,73	32,39	36,74
Working capital	**85,74**	**100,41**	**102,53**
Owned funds	28,04	30,32	34,58
Deposits	53,54	64,59	60,73
Advances	72,06	82,07	87,34
Recoveries	65,38	74,11	76,33
Outstandings	60,87	74,99	79,33
Overdues	5,71	6,14	6,54
Value of goods received	2,42	3,02	2,34
Value of goods marketed	2,27	3,56	2,43
Profit	1,51	2,00	1,86
Loss	8	12	13

It may be seen from the above table that there was a steady increase in the membership, working capital and loan operations of the non-agricultural credit societies. Unlike agricultural credit societies these co-operatives do not depend mainly upon borrowings from the central banks for their working capital which is largely derived from deposits of members and non-members. The percentage of owned funds and deposits to total working capital at the end of the period under review worked out to 92·9 against 38·2 in the case of agricultural credit societies. Their borrowings from central and state co-operative banks amounted to Rs 4,74 lakhs as against Rs 78,42 lakhs borrowed by agricultural credit societies. In membership, working capital and loan operations, non-agricultural credit societies in Bombay and Madras continued to be far ahead of those in other states, as would be evident from the position indicated in the following table:

TABLE 3.17 — NON-AGRICULTURAL CREDIT SOCIETIES IN BOMBAY AND MADRAS — 1957-8

Amounts in lakhs of rupees

State	No. of societies	No. of members (in thousands)	Working capital	Loans advanced during the year
1	2	3	4	5
Bombay	1,993	11,36	37,05	36,99
Madras	813	5,80	11,92	11,16
Others	7,624	19,58	53,56	39,19
Total	**10,430**	**36,74**	**102,53**	**87,34**

The number of members in the two states, Bombay and Madras, formed 47 per cent of the total and their working capital and loans advanced during the year were 48 per cent and 55 per cent respectively of the total, although the number of societies in the two states constituted only 27 per cent of the total number of societies in the country. There were 562 societies with a membership of 5 lakhs and working capital of Rs 23,30 lakhs in West Bengal. In Andhra Pradesh, there were 818 societies with a membership of 2·60 lakhs and working capital of Rs 5,14 lakhs.

3.15.2 Amongst the various types of non-agricultural credit societies, the urban banks play a vital role in catering to the credit needs of individuals residing in the urban and semi-urban areas. Besides this, they undertake all kinds of banking business including the acceptance of all types of deposits and the provision of banking business for their clients. The table 3·18 on page 38 shows the operations of urban banks during the years 1955–6, 1956–7 and 1957–8. It may be observed that the figures of the number of urban banks for 1956–7 and 1957–8 were much lower than 1955–6. This was particularly because Mysore which had reported 685 banks at the end of 1955–6 had not furnished figures for the period under review. In Madras, Andhra Pradesh, Bombay, West Bengal and Kerala these urban banks appeared to be more popular and successful than in other states. A noteworthy feature of these banks was that they were able to attract large deposits from non-members. During the year

TABLE 3.18 — POSITION OF URBAN BANKS

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
No. of societies	1,585	762	826
Membership (in thousands)	11,39	9,95	11,81
Working capital	**43,95**	**43,34**	**56,96**
Owned funds	8,71	6,60	7,93
DEPOSITS			
Members	32,39	19,82	12,33
Non-members		14,25	14,92
Advances	31,57	30,86	32,77
Recoveries	30,99	26,16	30,50
Outstandings	22,54	21,66	24,17
Overdues	3,45	2,59	2,98
Profit	n.a.	69	53
Loss	n.a.	5	4

Note: Data for 1955–6 include data in respect of 122 non-agricultural credit societies in Jammu & Kashmir.

1957–8 deposits forming more than 50 per cent of the total deposits were held by non-members. The percentage of owned funds and deposits to working capital worked out at the end of the period under review to 62 per cent. These banks play an important role in tapping small savings in the urban areas. The urban banks lend to small industrialists also to meet their working capital requirements. Besides meeting the credit requirements of their members, the urban banks are providing facilities, on reasonable terms, for collection of cheques and bills and remittance of funds, and are in some cases, also discounting bills for approved customers under proper safeguards.

3.15.3 There were 139 co-operative urban banks in Madras with a membership of 3·10 lakhs at the end of the year 1957–8. These urban banks carried on their business generally with their own resources depending very little on the district co-operative central banks. While the deposits held by them from members and non-members amounted to Rs 4,36 lakhs their borrowings from central banks amounted only to Rs 48 lakhs forming 7·2 per cent of their total working capital. They issued loans to the tune of Rs 5,26 lakhs. In this state, urban banks which have a working capital of Rs 1 lakh and above and which maintain qualified secretaries were permitted to undertake discounting of bills for approved customers. Thirty-eight urban banks discounted bills to the extent of Rs 49,44 lakhs during the year 1957–8.

3.15.4 In Bombay, urban credit societies were generally classified into urban banks and urban credit societies. There was no difference between the two in their constitution and management, but only such of those urban credit societies which had undertaken banking business and which had a paid-up share capital of Rs 20,000 or more were allowed to add the word 'Bank' to their names. As on 30 June 1958, there were 1,993 urban credit societies out of which 197 were urban banks. Of the latter, 24 urban co-operative banks were those established and functioning in the Saurashtra area, mainly for providing

financial accommodation to cottage and small-scale industries. The remaining 173 urban banks had 4·28 lakhs members and their paid-up share capital amounted to Rs 2,30 lakhs. They had deposits to the extent of Rs 17,03 lakhs. These banks advance loans on the security of merchandise, agricultural produce, real property and also on personal surety. A sum of Rs 13,24 lakhs was outstanding at the end of 1957–8 in respect of loans issued by these banks. These banks earned a profit of Rs 25 lakhs during the year 1957–8.

3.15.5 There were 562 urban banks in West Bengal. Their deposits at Rs 16,06 lakhs accounted for 78 per cent of the total deposits of the co-operative movement in the state. Their loans and advances rose during 1957–8 from Rs 15,79 lakhs to Rs 18,44 lakhs while overdues declined from 6 to 2·5 per cent of outstandings. In most of the banks, deposits tended to increase faster than what their normal business could absorb. It was also reported that the banks were being advised to invest their surplus, as far as possible, within the movement itself by giving accommodation to industrial co-operatives, to stores, etc.

3.15.6 Towards the end of the period under review, the Reserve Bank of India had decided to undertake a survey of the working of some of the urban co-operative banks in the country. The object of the survey was to examine the pattern of the present sources of funds of these institutions, the use to which they are put and the factors underlying the success or failure in their working and also to find out the part that these institutions can play in financing small-scale industries.

3.16 Land Mortgage Banks

3.16.1 Co-operative land mortgage banking in the country made significant progress during the period under review with the establishment of new central land mortgage banks and the expansion of the loan operations of existing banks. Of the seven new institutions, five were central land mortgage banks established to serve Assam, Bihar, Punjab, Rajasthan and West Bengal. The Kerala Co-operative Central Land Mortgage Bank was established to function in the place of the former Travancore Credit Bank which was not a co-operative institution but had been engaged in the business of lending on the mortgage of land. The other new unit was the department of land mortgage banking set up in the Vidarbha Co-operative Bank which had come into being as a result of the division of the old State of Madhya Pradesh in pursuance of the reorganization of states.

3.16.2 The structural pattern of land mortgage banks continued to differ from state to state, and fell into one or the other of the following four categories: (*a*) the usual federal type with the central land mortgage bank at the top and the primary land mortgage banks at the base, as in Madras and Andhra Pradesh; (*b*) the central land mortgage bank advancing loans direct to individuals operating through its branches as in Saurashtra; (*c*) central land mortgage banks operating through branches as well as primary land mortgage banks as in Bombay; and (*d*) central land mortgage banks which are merely departments of the state co-operative banks as in the case of Madhya Pradesh and Vidarbha.

3.17 Central Land Mortgage Banks

3.17.1 As at the end of June 1958, there were, in all, 15 central land mortgage banks and, in addition, two state co-operative banks had land mortgage banking departments. The progress made in their operations may be seen from the table on the next page which presents the data for the three years ended 1957–8.

TABLE 3.19 — PROGRESS OF CENTRAL LAND MORTGAGE BANKS

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
MEMBERSHIP			
(*i*) Primary land mortgage banks ..	491	419	306
(*ii*) Other co-operative banks and societies ..			233
(*iii*) Individuals	90,295	1,16,142	1,50,944
Paid-up capital	78·73	1,09·16	2,25·84
Reserves	53·51	61·93	71·58
BORROWINGS			
(*i*) Debentures	14,94·38	16,94·82	20,47·85
(*ii*) Other borrowings	2,26·02	2,66·56	2,04·63
INVESTMENTS			
(*i*) Sinking fund	4,05·82	4,93·51	5,77·16
(*ii*) Other investments	1,16·44	1,45·89	1,19·75
LOAN OPERATIONS			
(*i*) Loans issued	2,83·04	3,80·22	4,67·65
(*ii*) Loans recovered	1,37·45	1,78·97	1,82·20
(*iii*) Loans outstanding	13,08·21	14,93·59	18,92·23
Overdues	1,15·13	24·01	90·03
Profit	7·60	11·95	12·49

The paid-up share capital and reserves showed an increase from Rs 1,32 lakhs to Rs 2,97 lakhs, the contributions of state government to the share capital of these institutions helping substantially to effect this increase. Thus, as on 30 June 1958, a sum of Rs 1,22 lakhs of the total paid-up share capital of Rs 2,26 lakhs represented contributions by the various state governments. With the expanded loan programmes, the borrowings of the banks had to be larger than before and debentures of the value of Rs 6,50 lakhs were floated by them during the period under review. The outstanding debentures amounted to Rs 20,48 lakhs as on 30 June 1958, as compared with Rs 14,94 lakhs two years earlier. It may be mentioned here that the total subscription of the Reserve Bank to such debentures amounted to Rs 43 lakhs during the two years under review. Similar support was also extended by the State Bank of India. It is in the expansion of the loan operations that progress was best reflected. The total loans issued by the central land mortgage banks increased from Rs 2,83 lakhs in 1955–6 to Rs 4,68 lakhs in 1957–8 while the loans outstanding rose at the end of the same years, from Rs 13,08 lakhs to Rs 18,92 lakhs. The new institutions did not account for much of this expansion because, of these, four banks had not yet commenced operations. The development of co-operative land mortgage banking continued to be uneven as between different states. Thus, about three-quarters of the total outstanding loans was accounted for by the three central land mortgage banks of Andhra, Madras and Bombay. Though the loan operations had expanded the position in regard to recoveries did not appear satisfactory: the total amount repaid was almost

the same in 1956–7 and 1957–8. The overdues, in the result, showed a steep increase from Rs 24 lakhs in 1956–7 to Rs 90 lakhs in the following year. Though data on demand are not available, the information on hand clearly indicates that the repayments were poor. With an increased turnover, the earnings of the central land mortgage banks also showed an improvement and their aggregate net profits rose from Rs 8 lakhs to Rs 12 lakhs between the years 1955–6 and 1957–8.

3.17.2 The purpose-wise break-up of the loans issued by the central land mortgage banks during 1957–8 is given below.

TABLE 3.20—ANALYSIS OF LOANS ISSUED BY CENTRAL LAND MORTGAGE BANKS DURING 1957-8 BY PURPOSE

Lakhs of rupees

Purpose	Amount
For debt redemption	1,59·88
For purchase of land	10·09
For purchase of tenancy or *Inamdari* rights in lands	0·66
For land improvement	176·62
For purchase of machinery	79·79
Other purposes	40·62
Total	**467·66**

In the central land mortgage banks of Madras, Andhra, Bombay, Madhya Pradesh, Saurashtra and Hyderabad, the total volume of loans for productive purposes went up from Rs 1,60 lakhs in 1955–6 to Rs 1,68 lakhs in 1957–8 while those for unproductive purposes went down from Rs 83 lakhs to Rs 80 lakhs. The rise in the volume of productive loans and the fall in the other loans, though small, seem to be of significance.

3.17.3 A beginning was made by certain central land mortgage banks during the period under review in the interesting experiment relating to the issue of rural debentures as recommended in the Rural Credit Survey Committee Report. It may be recalled that the Committee had noted that the debentures ordinarily issued by the central land mortgage banks were designed largely to suit the requirements of large urban and institutional investors such as banks, insurance companies and trusts and had suggested that the banks might issue a new type of debentures attuned to the needs of the rural population and designed to mobilise rural savings. Following a recommendation made by the Standing Advisory Committee on Agricultural Credit of the Reserve Bank of India at its seventh meeting in October 1957 a scheme was circulated in November 1957 by the Agricultural Credit Department of the Reserve Bank to all the banks and to the state governments with the suggestion that steps might be taken to float rural debentures before the end of June 1958. The main features of the scheme were the following:

(1) Central land mortgage banks should grant loans to agriculturists for productive purposes for periods of six or seven years against mortgage of land and on

the strength of those mortgages special series of rural debentures should be floated.

(2) The floatation should be timed to take place during the months immediately succeeding the harvest so as to enable agriculturists to subscribe to those rural debentures.

(3) The exact time and the terms and conditions relating to the issue price, period of maturity and rate of interest of these rural debentures should be fixed in consultation with the Reserve Bank, the period being, as a rule, coterminus with the period of mortgages and the rate of interest being fixed slightly higher than on ordinary debentures.

(4) The rural debentures should be available only to individuals as distinct from institutional investors such as banks, societies, trusts, etc. An exception was, however, made subsequently in regard to collections from village panchayats as their resources were drawn from rural areas.

(5) The Reserve Bank would subscribe to the shortfall in public subscriptions subject to a maximum of two-thirds of an issue from the National Agricultural Credit (Long-term Operations) Fund, this offer remaining open till the end of June 1958.

Following this circular, the central land mortgage banks of Saurashtra, Andhra and Orissa floated rural debentures of the value of Rs 50 lakhs, Rs 20 lakhs and Rs 5 lakhs for the first time and succeeded in getting subscriptions from individuals and *panchayats* amounting to Rs 26 lakhs, Rs 6 lakhs and Rs 2 lakhs respectively. The subscription of the Reserve Bank aggregated Rs 27 lakhs made up of Rs 24 lakhs for the debentures of the Saurashtra Central Land Mortgage Bank and Rs 3 lakhs for those of the Orissa Central Land Mortgage Bank. The debentures were floated for a uniform period of 7 years and at rates of interest varying between 4½ to 5 per cent, the issue price in each case being at par. A limited measure of success was thus achieved in this first experiment. Various problems and difficulties which cropped up as a result of this attempt were considered at a conference of representatives of central land mortgage banks convened by the Reserve Bank since the close of the period under review.

3.17.4 An important development during the period under review was the setting up of a technical committee by the Reserve Bank to examine various problems connected with co-operative land mortgage banking in pursuance of a recommendation made to this effect by the Conference on Marketing and Co-operation convened by the Ministry of Food and Agriculture, Government of India and held at Hyderabad in November 1955. The Report of the Committee was made available in October 1957 and considered by the Standing Advisory Committee on Agricultural Credit at its eighth and ninth meetings held in February and July 1958.

3.17.5 One of the issues considered by the technical committee related to the effects of various land reform measures and Tenancy Acts on the working of land mortgage banks. Its major recommendations in this regard were as follows:

(*i*) The state governments should be requested to give a definite assurance to land mortgage banks that if, as a result of land or tenancy reform measures, the banks suffered a loss in respect of loans already advanced by them, the government would

make good the loss. At the same time, the land mortgage banks should follow a policy of not advancing any loans in future to persons who have tenants on their lands except when such tenancy was specifically permitted by law. Further, loans should be advanced to persons who not only owned the land but also cultivated it personally.

(*ii*) All land-holders, occupancy tenants and tenants in the process of becoming owners should have an unfettered right to mortgage their ownership or occupancy rights in land to a co-operative society.

(*iii*) It should be possible for co-operative land mortgage banks to demand an undertaking in writing from the borrower who was an owner-cultivator that he would not create a tenancy until the loan was repaid or, if he was a tenant-purchaser, that he would cultivate the land personally.

(*iv*) Co-operative land mortgage banks should be exempted from provisions regarding ceilings on holdings and should be permitted to lease at their discretion the lands they purchased from defaulters to anybody without any restriction.

(*v*) Restrictions on sale of land and specified priorities in respect of persons to whom land could be sold should not be applied to co-operatives which should be free to sell the land to anyone at such prices as might be obtainable, provided that as a result of the purchase or transfer, the land held by a purchaser did not exceed the ceilings prescribed by law.

While generally endorsing these views, the Standing Advisory Committee on Agricultural Credit, however, took the view that land mortgage banks could claim exemption only from such restrictions as were not fundamental to land reforms and that, subject to this consideration, land mortgage banks might be given as much freedom as possible to deal in land. The Committee noted, in this context, that a ceiling on land-holding formed a fundamental part of land reforms. Though it was reported that land reforms and tenancy measures enacted in various states had not adversely affected the working of land mortgage banks so far, these recommendations are of great potential significance.

3.18 Primary Land Mortgage Banks

The number of primary land mortgage banks increased from 302 at the end of 1955–6 to 347 at the end of 1957–8. During this period, their membership rose from 3,13,827 to 3,75,980 and paid-up share capital and reserve fund from Rs 1,03 lakhs to Rs 1,29 lakhs. They advanced during 1957–8 loans aggregating Rs 2,52 lakhs and recovered Rs 1,11 lakhs; their outstandings at the end of the year amounted to Rs 13,08 lakhs of which Rs 34 lakhs were overdue. Of the 347 banks, 257 institutions worked at a profit of Rs 20 lakhs, 75 banks worked at a loss of Rs 2 lakhs and 10 banks neither earned profit nor incurred loss. A state-wise account of the progress made by land mortgage banks in the country during the period under review is given below:

3.19 Andhra Pradesh

3.19.1 Following the reorganization of states and the inclusion of the Telengana area of the old Hyderabad state in Andhra Pradesh, there were two central and 79 primary land mortgage banks in the enlarged state. On 30 June 1958, the owned funds of the

Andhra Central Land Mortgage Bank and the Hyderabad Central Co-operative Land Mortgage Bank amounted to Rs 55 lakhs and Rs 2 lakhs respectively, of which state contribution accounted for Rs 15 lakhs and Rs 1 lakh respectively. The Government of Andhra Pradesh sanctioned to the two banks temporary accommodation repayable in nine months or earlier on floatation of debentures, to the extent of Rs 60 lakhs during 1957–8 carrying interest at 1½ per cent below the Bank Rate and gave in addition an overall guarantee of Rs 7,50 lakhs towards debentures of the Andhra Central Co-operative Land Mortgage Bank. The Hyderabad Central Co-operative Land Mortgage Bank has not so far floated any debentures. As far as the Andhra Central Co-operative Land Mortgage Bank was concerned, though it did not issue any debentures in 1956–7 on account of unfavourable conditions in the money market, it floated in consultation with the Reserve Bank of India, a composite series of debentures for Rs 1 crore in 1957–8 in two parts — one part for Rs 45 lakhs maturing within eight years issued at par with interest at 4¼ per cent per annum and another part for Rs 55 lakhs maturing in fifteen years issued at par with interest at 4½ per cent per annum.

3.19.2 The loan operations of the two land mortgage banks increased substantially during the period under review, from Rs 64 lakhs at the end of 1955–6 to Rs 79 lakhs at the end of 1957–8. The following table shows the purpose-wise distribution of loans issued during the period under review:

TABLE 3.21 — ANALYSIS OF LOANS BY PURPOSE

Lakhs of rupees

Purpose of loan	Amount advanced during	
	1956–7	1957–8
1	2	3
Redemption of prior debts	—	—
Purchase of land	—	0·85
Purchase of Tenancy rights	—	—
Land improvement	64·59	69·28
Purchase of machinery	—	2·33
Other purposes	13·16	6·72
Total	77·75	79·18

Apart from an increasing demand for long-term loans and their greater popularity, the speedy disposal of applications and disbursement of loans also appeared to have contributed to the larger volume of loan transactions. As against 4,307 applications disposed of during 1956–7 for Rs 1,06 lakhs, the banks disposed of 4,762 applications for Rs 1,18 lakhs during 1957–8. This quick disposal was facilitated by the strengthening of the departmental staff and the supervisory staff of the primary land mortgage banks. Half the cost of co-operative sub-registrars and peons appointed for the work relating to land mortgage banking in the Andhra area and the entire cost of co-operative sub-registrars appointed for the purpose in the Telengana area were borne by the state government.

Besides, the state government also sanctioned a subsidy of Rs 20,200 each for the years 1956–7 and 1957–8 to the Hyderabad Central Co-operative Land Mortgage Bank towards its establishment and contingent charges. After the enactment of the Andhra Tenancy Act of 1956, the loans issued by land mortgage banks in the state are restricted only to owner-cultivators. It was reported that this step had not adversely affected the business of land mortgage banks and that on the contrary, the legislation abolishing *Zamindaris* and conferring the rights of occupancy and ownership on tenants in these areas had actually facilitated an expansion in their operations.

3.20 Madras

3.20.1 The owned funds of the Madras Central Co-operative Land Mortgage Bank increased from Rs 39 lakhs at the end of 1955–6 to Rs 49 lakhs at the end of 1957–8. During the period under review, the bank floated four series of debentures for an aggregate amount of Rs 100 lakhs, of which a sum of Rs 54 lakhs was contributed by co-operative institutions and Rs 46 lakhs by other agencies such as the State Bank of India, the Life Insurance Corporation, Joint Stock Banks, etc. These debentures which were guaranteed by the state government carried a rate of interest varying from 4 to 4½ per cent. As a margin of 2¼ per cent is maintained between the debenture rate and the ultimate lending rate (which is usually shared by the central co-operative land mortgage bank and the primary land mortgage banks in the ratio of 1¼:1), the ultimate rate to the borrower works out to about 6½ per cent. The central land mortgage bank issued during the year 1957–8 loans for Rs 73 lakhs, a large portion of which was for redemption of old debts as may be seen from the following data.

TABLE 3.22 — ANALYSIS OF LOANS BY PURPOSE

Lakhs of rupees

Purpose	Amount advanced during 1957–8
1	2
Redemption of prior debts	41·79
Purchase of land	1·40
Purchase of Tenancy Rights	—
Land improvement	16·13
Purchase of machinery	9·71
Other purposes	4·41
Total	73·44

While loans for redemption of prior debts continued to be high, the bank was taking steps to popularise productive loans for which the period of repayment had been reduced to fifteen years. According to a scheme which has been drawn up for land improvement loans to be given on the basis of the anticipated value that the lands will acquire after the improvement is effected, (*i*) loans will be advanced for conversion of dry land into garden or wet land, sinking of new wells or deepening of existing wells, etc., (*ii*) lands

will be valued at the pre-war level of similar adjacent lands and the valuation enhanced by 25 per cent; the maximum amount of loan per member being Rs 2,500, (*iii*) the state government will make good the loss, if any, arising out of the issue of loans subject to the maximum of the difference between the amount of the loan issued on the presumptive value and the amount that would have been issued as per the existing standard of valuation.

3.20.2 Efforts were made to minimise the delays in sanctioning loans and their disbursement. The bank published a folder to explain, in simple language, how one should apply to the land mortgage bank for loans and how the application was routed to the central land mortgage bank and sanctioned. The government continued to provide a staff of two deputy registrars, 38 co-operative sub-registrars and 38 peons to attend to the work connected with investigations into loan applications and inspections of primary land mortgage banks, half the cost of sub-registrars and peons being borne by the government.

3.21 Bombay

3.21.1 With the formation of the bilingual Bombay state in November 1956, there were three central co-operative land mortgage banks in the state including the land mortgage banking department in the Vidarbha Co-operative Bank. Steps were, however, initiated for taking over the land mortgage bank department of the Vidarbha State Co-operative Bank by the Bombay State Co-operative Land Mortgage Bank.

3.21.2 During the period under review, the owned funds of the Bombay State Co-operative Land Mortgage Bank increased from Rs 10 lakhs to Rs 28 lakhs of which an amount of Rs 15 lakhs represented the state government's contribution to its share capital. During the period under review the bank floated debentures for Rs 30 lakhs which were wholly taken up by co-operative institutions. Its loan operations increased from Rs 16 lakhs in 1956–7 to Rs 30 lakhs in 1957–8; this rise was partly due to the fact that the bank was entrusted by the state government with the distribution of loans for well-digging for which purpose *tagai* was being formerly provided. The following table shows the classification of loans advanced during the review period according to purpose.

TABLE 3.23 — ANALYSIS OF LOANS BY PURPOSE

Lakhs of rupees

Purpose	Amount advanced during	
	1956–7	1957–8
1	2	3
Redemption of prior debts	7·57	8·93
Purchase of land	2·32	1·76
Land improvement	5·08	13·43
Purchase of machinery	0·13	2·31
Other purposes	0·95	3·45
Total	**16·05**	**29·88**

With the issue of loans for digging of wells, loans for productive purposes showed a slight increase during the period under review. As these loans were given at a concessional rate, the state government subsidised the difference between the economic lending rate of the bank and the concessional rate at which the bank was required by the government to lend. During the period under review, such subsidy amounted to Rs 83,000 for the state co-operative land mortgage bank and Rs 21,000 for the primary land mortgage banks.

3.21.3 The Saurashtra Central Co-operative Land Mortgage Bank which had initially been organized mainly to provide finance to tenant cultivators for enabling them to purchase occupancy rights from their landlords under the Saurashtra Land Reforms Act had developed itself during the period under review into a full fledged land mortgage banking institution, undertaking long-term lending for a variety of purposes. Its owned funds at the end of 1957–8 stood at Rs 64 lakhs of which the state government's contribution to share capital amounted to Rs 20 lakhs. During the period under review, the bank floated two series of debentures for Rs 2,75 lakhs; of this, co-operative institutions took up debentures for Rs 96 lakhs, the Reserve Bank of India for Rs 12 lakhs and the State Bank of India for Rs 30 lakhs. The balance of Rs 1,37 lakhs was taken up by individuals, joint stock banks, insurance companies, etc. The loans issued by the bank increased from Rs 1,27 lakhs in 1956–7 to Rs 1,74 lakhs in 1957-8. A special feature of the bank's operations was that the maximum period of loans was only 10 years. Loans for land improvement have been increasing every year as may be seen from the following table:

TABLE 3.24 — ANALYSIS OF LOANS BY PURPOSE

Lakhs of rupees

Purpose	Amount advanced during	
	1956–7	1957–8
1	2	3
Redemption of prior debts	44·34	24·50
Purchase of land	—	5·45
Purchase of tenancy rights	—	0·66
Land improvement	39·83	59·10
Purchase of machinery	26·42	65·41
Other purposes	7·71	18·75
Total	**1,18·30**	**1,73·87**

3.21.4 The land mortgage banking department of the Vidarbha Co-operative Bank Ltd., Nagpur, meets the long-term credit needs of the Vidarbha area of the Bombay state. The loans are disbursed to agriculturists through eight primary land mortgage banks and three central co-operative banks doing the business of primary land mortgage banks. This bank has not floated any debentures since its inception, but it has assumed liability to the extent of Rs 34 lakhs of the debentures issued by the former Madhya Pradesh Co-operative Bank Ltd., whose assets and liabilities were divided between this bank and the Mahakosal Co-operative Bank Ltd. The land mortgage banking department of the

Vidarbha Co-operative Bank Ltd., disbursed a sum of Rs 7·15 lakhs and Rs 6·77 lakhs during the years 1956–7 and 1957–8 respectively for the following purposes:

TABLE 3.25 — ANALYSIS OF LOANS BY PURPOSE

Lakhs of rupees

Purpose	Amount advanced during	
	1956–7	1957–8
1	2	3
(*a*) For redemption of debts	6·05	6·00
(*b*) For purchase of land	0·69	0·34
(*c*) For improvement of land and purchase of machinery	0·41	0·43
Total	7·15	6·77

3.21.5 Two important pieces of legislation which have influenced the working of land mortgage banks in Bombay are the Bombay Agricultural Debtors Relief Act and the Bombay Tenancy Act. The operation of the former has, to a certain extent, controlled the indebtedness of agriculturists and therefore the amount of loans required for redemption of prior debts has been low. After the passing of the Tenancy Act the issue of loans has been restricted to persons who cultivate lands themselves and a ceiling of 48 acres has been placed on the land that the land mortgage bank can take in mortgage from any single individual.

3.21.6 Disposal of loan applications by primary land mortgage banks was speeded up during the year and as against 1,793 applications disposed of during 1956–7, 2,716 applications were disposed of during 1957–8.

3.22 Mysore

A major change was effected in the constitution of the Mysore Central Co-operative Land Mortgage Bank Ltd., in 1957–8 with the elimination of individual membership and its conversion into a purely federal institution with 98 primary land mortgage banks as its members. These primaries and the state government have contributed to the share capital of this bank to the tune of Rs 11 lakhs and Rs 10 lakhs respectively. During the period under review, the bank issued debentures for Rs 50 lakhs. It advanced loans for a uniform period of 20 years for redemption of prior debts.

3.23 Orissa

The Orissa Provincial Co-operative Land Mortgage Bank financed individuals directly and as on 30 June 1958 it had on its rolls 14,595 individuals. All the central co-operative banks in the state work as its agents for disbursement of loans. The need for organizing primary land mortgage banks appears to have become very urgent. The state government have placed at the disposal of the bank, the full-time services of an assistant registrar and sub-assistant registrars to work as land valuation officers and their entire cost is met by the government.

3.24 Role of the Reserve Bank of India

3.24.1 It would be seen from the foregoing pages that the Reserve Bank has been playing a vital part in the provision of finance, short-term as well as medium-term for agricultural purposes to the state co-operative banks under the relative provisions of the Reserve Bank of India Act. It has also been financing certain types of agricultural non-credit activities such as sugar co-operatives and non-agricultural non-credit activities such as handloom weavers' co-operatives. Full details regarding the financing by the Reserve Bank have been given in the relevant chapters in this Review. The part played by the Bank in activities other than mere financing of co-operatives referred to above, has been no less significant in recent years.

3.24.2 The period under review, coinciding as it does roughly with the first two years of the Second Five Year Plan, saw the finalisation of the Plan programmes and the early stages of their implementation. Early in July 1956, the Second Conference of State Ministers on Co-operation was held at Mussoorie to consider the targets fixed under the Plan. The Reserve Bank also participated in the Conference as it had a large role to play in helping the co-operative movement to fulfil the plan targets. It was decided at the Conference that the programme for setting up large-sized agricultural credit societies and agricultural marketing societies should be accelerated with a view to completing it within the first four years of the plan period. It was also recommended that while state partnership and financial assistance for managerial staff under the plan would be extended only to large-sized co-operative credit societies, the formation of small credit societies at the village level with fair prospects of functioning as effective units should be encouraged consistently with the main programme. The schemes for co-operative development were accordingly drawn up by the various states on the basis of these recommendations. The plan programmes for 1956–7 were then finalised in the discussions held between the state governments and the Planning Commission, in which the Reserve Bank also participated, and the state governments settled down to implement the schemes. It was, however found that owing to several initial difficulties and problems arising out of the reorganization of states which took place in November, 1956, the progress made in the implementation of the plans was rather halting.

3.24.3 In regard to the Plans for 1957–8, the lines on which they were to be drawn up were finalised at the discussions held in December, 1956 among the Planning Commission, the Ministry of Agriculture, the Reserve Bank and the state governments so that necessary provisions could be made in the budgets of the Centre and the states for the ensuing financial year. Some of the main points of the plans for 1957–8 were that agricultural credit societies in the country were to try to reach a loan target of Rs 80 crores during the year, refinancing by the Reserve Bank in this connection being expected to be of the order of Rs 50 crores; that government should supply Rs 50 crores to agriculturists in the form of *taccavi* loans during the year and that government should not issue *taccavi* loans in areas which were served by co-operative societies except in the form of medium or long-term loans for land improvement.

Long-term Operations Fund

3.24.4 One of the directions in which the Reserve Bank assisted in the implementation of the plans was by providing long-term loans to state governments out of its National Agricultural Credit (Long-term Operations) Fund for enabling them to contribute to the share capital of the co-operative credit institutions, *viz.*, large-sized agricultural credit societies and central and state co-operative banks. As already mentioned in the previous

Review, the Reserve Bank set up the Long-term Operations Fund in February, 1956 with an initial contribution of Rs 10 crores. Thereafter, three annual contributions of Rs 5 crores each were made to the Fund, raising the amount to its credit to Rs 25 crores as on 30 June 1958. In March 1956, the terms and conditions governing loans to be issued during 1956 out of the Fund to state governments for enabling them to contribute to the share capital of agricultural co-operative credit institutions, were finalised by the Reserve Bank. Since then, they have been reviewed every year, but the terms and conditions have remained the same. The terms are as follows:

1. Normally each loan is for a period of 12 years, a longer period being adopted for exceptional reasons.

2. The principal is to be repaid in ten equal annual instalments, the first instalment being due on the expiry of the third year.

3. The scale of interest rates is as follows:

12 years	First 2 years	Nil
	Next 3 years	2 per cent
	,, 4 ,,	2½ ,, ,,
	,, 3 ,,	3 ,, ,,
Above 12 years in exceptional cases	,, 2 ,,	3 ,, ,,
	After 14th year	3½ ,, ,,

At the end of June 1957, loans amounting to Rs 2·90 crores were sanctioned by the Reserve Bank to eleven state governments for the purchase of shares in co-operative credit institutions in their states. Eight states availed themselves of the loans to the extent of Rs 1·60 crores. In the following year, loans sanctioned, including renewals of the amounts which had lapsed at the end of 1956–7, amounted to Rs 6·04 crores to fourteen state governments, of which a sum of Rs 5·83 crores was availed of by thirteen state governments.

Intensive Studies undertaken by the Bank

3.24.5 A mention may also be made here of some important study tours undertaken by the officers of the Bank as, generally speaking, the reorganization of central banks followed intensive studies on their working by the Reserve Bank. In this way, the banks in West Bengal, Bihar and Punjab were studied during the period under review. In West Bengal, the movement had been in a bad way for a number of years. The central banks were small and weak units and the apex bank had suffered losses at the time of the partition rendering it unable to discharge its functions properly without substantial outside assistance. The Reserve Bank considered that two aspects needed immediate attention, *viz.* to take steps to rationalize the central banking structure and to give necessary subsidies to deficit central banks and the apex bank so that they may become eligible to get share capital contributions from the state government. As regards the first one, it was suggested that there should be one central bank per district although two banks might be allowed to function in exceptional circumstances, provided there was sufficient business for them. On this basis, it was agreed between the Reserve Bank and the state government that 17 central banks may be permanently retained, *i.e.* one for each of the 15 districts in addition to one more each for the Midnapur and the 24 *Parganas* districts. The state government also indicated that the reduction in the number of central banks would be effected by a process of amalgamation. As regards financial assistance, it was estimated that a sum

of about Rs 60 lakhs would have to be given to the state and central co-operative banks as subsidies to put them on a sound footing. Accordingly, the Central Government, on the recommendation of the Reserve Bank and further endorsed by its Standing Advisory Committee on Agricultural Credit sanctioned to the state government a sum of Rs 60 lakhs (Rs 48 lakhs for the apex bank and Rs 12 lakhs for the central banks) as a subvention and a sum of Rs 29 lakhs as a long-term loan for the purpose of rehabilitating the state and central co-operative banks. This assistance was made by the Government of India subject to satisfactory administrative arrangements being made by the state government. Accordingly, the West Bengal Government constituted a Review Committee consisting of the Secretary to Government for Co-operation, the Joint Secretary to Government for Co-operation, the Registrar of Co-operative Societies, and the Chief Officer, Agricultural Credit Department or his nominee.

3.24.6 In Bihar, it was found that there were 47 central co-operative banks spread over the 17 districts of the state and hardly any of them came up to the standards laid down by the Standing Advisory Committee for central financing agencies, *viz.* owned funds of Rs 3 lakhs and a working capital of Rs 25 lakhs. It was, therefore, suggested by the Reserve Bank that 28 banks might be permanently retained, the remaining banks being amalgamated with them. The general principle was that a district should have only one central co-operative bank, but where circumstances necessitated it, not more than two banks might be allowed to be retained in a district. The state government agreed to the suggestion and necessary steps were being taken to bring about the amalgamation of banks on a voluntary basis.

3.24.7 The study in Punjab covered several aspects regarding the working of central co-operative banks. Firstly, the procedure in the banks for sanctioning loans needed some changes so as to be in conformity with the wider responsibilities they had taken upon themselves in recent years. Secondly, it was observed that the investment of central banks in the shares of all types of co-operative institutions such as co-operative sugar factories had created problems for the entire credit movement in the state. Thirdly, as a result of the partition of the country, the funds of some central banks were locked up in Pakistan and consequently some of them were working at loss. While in many of the banks, the reserves were adequate to cover any possible bad debts and losses arising out of funds locked up in dues from muslims, a few banks were found to be in deficit and needed some assistance if they were to command financial stability. This was particularly the position in respect of the Kangra and Hoshiarpur Central Co-operative Banks. The Reserve Bank, therefore, recommended that suitable subventions might be sanctioned to these institutions. Lastly, the number of banks had to be reduced, and in this connection, it was agreed that 20 central banks in the erstwhile Punjab state and 7 central banks in the erstwhile PEPSU state *i.e.*, a total of 27 banks as against 17 districts may be retained on a permanent basis. The state government has since been taking steps to implement the suggestions in respect of each of these issues.

Remittance Facilities

3.24.8 A mention may also be made of further liberalization in respect of remittance facilities available to the co-operative banks. The state co-operative banks were entitled to remit twice a week by draft, mail transfer or telegraphic transfer, an amount of Rs 5,000 or a multiple thereof, free of charge from any place at which there was an agency of the Reserve Bank to any account which the state co-operative bank maintained with the

Reserve Bank. The central and industrial co-operative banks affiliated to the state co-operative banks were treated as branches of the latter for this purpose. With effect from 1 October 1954, the number of free remittances was increased from two a week to three a week. Further, with effect from 1 March 1957, free remittances were extended to remittances to the head office accounts maintained by the state co-operative banks with branches of the agent banks. This was particularly helpful in respect of those state co-operative banks which had their head offices situated in places other than those where the Reserve Bank had its branches.

3.25 Role of the State Bank of India

3.25.1 The establishment of the State Bank of India on 1 July 1955, pursuant to one of the recommendations of the Rural Credit Survey Report, marked an important step in the field of rural credit. It has since been taking a keen and ever increasing interest in the field of co-operation and its activities in this regard are generally in respect of the following:

(*a*) General assistance leading to development of rural credit;

(*b*) Provision of financial accommodation to marketing and processing co-operative societies;

(*c*) Assistance to the scheme of warehousing.

3.25.2 The State Bank provides loan and overdraft facilities against government securities, at a concessional rate of interest, *viz.* $\frac{1}{2}$ per cent below the State Bank of India Advance Rate, subject to a minimum of 3 per cent per annum. It also makes advances to co-operative institutions on the repledge of goods, subject to the usual conditions relating to pledge advances given by the Bank, the rate of interest being $\frac{1}{2}$ per cent below the usual rate for such advances or one per cent over the State Bank Advance Rate, whichever is lower. Further, the Bank provides, in special cases advances to state co-operative banks against government guarantee to enable them to finance their affiliated co-operative societies.

3.25.3 In the field of long-term credit, the State Bank's facilities consist of (*i*) subscription, in suitable lots, to the debentures floated by apex co-operative land mortgage banks (*ii*) granting of advances on the security of such debentures and (*iii*) provision of limited *temporary* financial accommodation to central land mortgage banks against government guarantee.

3.25.4 The State Bank finances co-operative marketing and processing societies in areas where there is little or no near prospect of any central co-operative financing agency being able to provide prompt and adequate finance at reasonable rates of interest. Marketing societies are given advances against the pledge of produce, in order to improve their staying power for selling at favourable prices, the margin retained varying from 25 to 30 per cent depending upon the nature of crop. In suitable cases, accommodation is provided for small amounts against the guarantee of one or more directors or on the collateral security of immovable property. The limit of such accommodation is usually fixed with due regard to the volume of goods handled by the society and may not ordinarily exceed the owned funds of the society. Similarly, processing co-operative societies such as sugar factories, cotton ginning and pressing societies, jute baling co-operatives, etc. may also get accommodation from the Bank on similar terms.

3.25.5 The State Bank has been endeavouring to assist in the scheme of warehousing and for this purpose, it has been organizing new branches if possible at centres where warehouses of either the central or state warehousing corporations are set up. It has also taken the initiative in evolving new procedures for advances by banks against warehouse receipts. To borrow from the Bank on the security of warehouse receipts, for the present, borrowers should have ordinarily full title to the goods either as the original depositors or the first transferees of the relative warehouse receipts and should not obtain delivery of the goods by any means whatsoever during the time the receipts remain endorsed to the bank. It charges interest on advances against warehouse receipts at one-half per cent over the State Bank of India Advance Rate. For co-operative banks and societies, however, the rate is slightly lower but not less than the Bank's Advance Rate.

3.25.6 Thus, the policies of the State Bank are designed as far as practicable within the framework of its constitution to help and strengthen the co-operative banking institutions. The Bank's efforts are directed towards providing finance generally where the co-operative financing institutions are relatively undeveloped or have agreed to the Bank financing, during seasons, the co-operative institutions in any particular area.

4. CO-OPERATION AS AN AID TO PRODUCTION

4.1 AGRICULTURAL AND ALLIED PRODUCTION

4.1.1 During the first half of the period under review agricultural production registered an appreciable increase, the index number (base 1949–50 = 100) rising to 124 as compared to 117 in 1955–6. But in the latter half there was a steep fall in production particularly of food grains due to adverse seasonal conditions, with the result that the index number of overall agricultural production dropped to 113. The production of important agricultural commodities during 1956–7 and 1957–8 as against the revised targets of production for the Second Plan period was as under :

TABLE 4.1 — AGRICULTURAL PRODUCTION

Commodity	Unit	Target for Second Five Year Plan	Production		Index No. 1949–50 = 100	
			1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7
Food grains	Million tons	80·5	68·7	62·0	121	107
Sugar-cane (in terms of *gur*)	do.	7·8	6·8	6·5	135	128
Oilseeds	do.	7·6	6·2	5·9	119	112
Cotton	Million bales	6·5	4·7	4·8	182	183
Jute	do.	5·5	4·3	4·1	139	132

Source : Report on Currency and Finance, 1958–9.

With this background the record of co-operative societies engaged in agricultural and allied production is reviewed in the following paragraphs.

4.1.2 The provision of credit—short-term, medium-term and long-term—to cultivators at moderate rates of interest continued to be the principal aid given by the co-operative movement for agricultural production. There was a considerable increase in respect of such credit during the period under review as has been noticed in the foregoing chapter. The credit given included that for the purchase of agricultural requisites such as seeds, fertilizers and implements. The other ways in which the movement had its impact on agricultural production were through the activities of co-operative farming societies, irrigation societies, fishermen's societies and societies engaged in the production and supply of milk.

4.1.3 At the end of June 1958 there were 3,650 co-operative farming societies comprising 1,378 tenant farming societies, 1,207 joint-farming societies, 420 collective

farming societies and 645 better farming societies. Out of these societies only 1,420 societies worked at a profit during 1957–8. More than 50 per cent of the joint-farming societies were concentrated in Punjab and Uttar Pradesh. The total area brought under cultivation by farming societies was 4,57,739 acres. The value of food grains produced by them during 1957–8 was Rs 81 lakhs of which Punjab accounted for Rs 36 lakhs and Uttar Pradesh for Rs 17 lakhs.

4.1.4 The irrigation societies were mostly concentrated in Bombay, Punjab, Uttar Pradesh and West Bengal which together accounted for over 92 per cent of the 1,557 societies at the end of the period under review. Out of the total number of irrigation societies, only 351 societies worked at a profit during 1957–8. The total acreage of land irrigated by them was 1,44,376 acres.

4.1.5 There were 1,637 fishermen's societies at the end of the period under review. The particulars relating to the number, membership, catch and sales of these societies in those states where some headway has been made are given below.

TABLE 4.2 — FISHERMEN'S SOCIETIES

Amounts in thousands of rupees

State	No. of societies		No. of members		Catch (Amount)		Sales (Amount)	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Andhra Pradesh	266	316	36,804	35,367	51	61	63	73
Assam	96	110[1]	4,224	4,914	2,85	3,04	3,29	5,49
Bombay ..	101	119	25,484	28,357	11,95	10,17	15,47	13,59
Kerala	156	169	20,734	24,810	1,52	1,70	1,54	1,77
Madras ..	175	196	17,779	23,855	95[2]	246[2]	42	1,38
Orissa	56	77	8,955	10,280	3,67	4,46	4,82	6,03
West Bengal ..	443	457	24,198	26,091	4,68	5,22	4,75	5,64

[1] Including 30 new and non-functioning societies.

[2] In tons.

4.1.6 The particulars of societies engaged in the production and supply of milk and milk products as at the end of 1957–8 are given in table 4.3 on page 56. A brief account of the co-operatives in the sphere of agricultural production in some of the more important states is given in the following paragraphs.

4.2 Bombay

4.2.1 The scheme for the development of co-operative farming sanctioned in 1949 by the Government of Bombay and included in the First Five Year Plan for the state was continued during the Second Plan period. At the close of the period under review there were 499 farming societies comprising 99 better farming societies, 178 tenant farming societies, 73 joint-farming societies and 149 collective farming societies. These societies

TABLE 4.3 — MILK SUPPLY UNIONS AND MILK SUPPLY SOCIETIES

Amounts in thousands of rupees

Item	Milk supply unions	Milk supply societies
1	2	3
Number	73	1,914
MEMBERSHIP		
Societies	1,384	—
Individuals	7,859	1,68,342
Share capital	11,55	28,60
Reserves	78,67	38,76
Purchases	2,35,89	2,86,15
Sales	3,16,05	3,50,44

commanded 85,834 acres of land of which 42,488 acres or less than 50 per cent were under cultivation. The societies also attended to the development and improvement of land and the production of fruits and vegetables. The aggregate value of the commodities produced by them during 1957–8 was Rs 27 lakhs out of which food grains accounted for Rs 7 lakhs. The aggregate sales amounted to Rs 26 lakhs of which sales of food grains accounted for Rs 6 lakhs.

4.2.2 At the close of 1957–8 there were 312 irrigation societies in the state. These societies brought 0·30 lakh acres of land under irrigation and the value of irrigation works executed by them up to the end of the year 1957–8 was Rs 86 lakhs. Co-operative fencing and crop protection societies functioning in the state numbered 146 at the end of 1956–7. The number of these societies rose to 158 during 1957–8. A cropping area of 4·53 lakh acres was covered by the societies.

4.2.3 At the end of the period under review 11 milk supply unions and 225 societies were functioning in the state. Except the Kaira Distrct Co-operative Milk Producers' Union, no other union had taken up pasteurisation of milk or preparation of milk products on a large scale. Almost all the unions undertook activities such as supply of cattle feed, provision of veterinary aid and improvement of the breed of cattle by selective breeding. A serious problem for the milk societies was to find an assured market for their milk. They were often left with surplus milk and in the absence of facilities for pasteurisation or preparation of milk products they had a hard time. Besides, the overhead charges were high as the unions had of necessity to maintain staff and vans for collecting milk from widely scattered units.

4.2.4 Most of the fishermen's societies were concentrated in the coastal districts of the state. The part played by the societies in assembling and selling fish was insignificant as the catch was generally disposed of on an individual basis by the members themselves. With a view to bringing about an improvement in the working of the societies, the Bombay State Co-operative Bank, while financing the societies, imposed the condition that the societies concerned should undertake the sale of the catches. Fishermen's societies in the state are eligible for a managerial subsidy up to a maximum of Rs 500 for the first

two years after their organization and Rs 250 for the third year. They are also eligible for loans up to Rs 50,000 for the purchase of fishing accessories, apart from long-term loans for meeting capital expenditure.

4.3 Madras

4.3.1 The organization of co-operative farming societies in Madras was taken up in earnest in pursuance of the resolution passed at the Sixth Development Commissioners' Conference held at Mussoorie in April 1957 to the effect that at least one co-operative farming society should be organized in each Community Development or National Extension Service Block, particularly in the post-intensive phase. There were 54 farming societies including 36 tenant farming societies and 12 joint-farming societies in the state at the end of 1957–8. They had an aggregate membership of 3,344 and had brought under cultivation 9,488 acres of land. During 1957–8 the societies produced food grains worth Rs 4·70 lakhs as against their total production of Rs 4·98 lakhs.

4.3.2 At the end of 1957–8, 18 irrigation societies commanding an area of 4,900 acres of land, of which 4,500 acres were under irrigation, were functioning in the state. The value of irrigation works executed by them during 1957–8 amounted to Rs 8,000. Over 55 per cent of the irrigation societies worked at a loss during 1957–8.

4.3.3 Co-operative societies in the state made good progress in the supply of chemical fertilizers, manures and pesticides. The entire supply of ammonium sulphate and other chemical fertilizers in the community development and national extension service areas and 50 per cent of the supply in other areas was entrusted to co-operatives, which were exempted from the payment of security deposits. During 1957–8 they supplied 35,169 tons of chemical manures of the value of Rs 1,29 lakhs as compared to 32,028 tons valued at Rs 1,17 lakhs during the preceding year. The quantity of compost manure made during 1957–8 was 49,042 tons as compared to 46,289 tons during the preceding year. The societies also distributed 2 tons of pesticides during the period under review. A substantial increase in the scale of operations of agricultural improvement societies was witnessed during 1957–8. The value of seeds and manures distributed by these societies during 1957–8 was Rs 76,770 as against Rs 30,208 during the preceding year. Land colonization societies organized by ex-servicemen brought 2,063 acres of land under cultivation by the close of the period under review. Land reclamation societies also played a useful role by reclaiming 4,370 acres of land by the end of 1957–8.

4.3.4 The number of milk supply unions and societies increased from 19 and 587 to 20 and 621 respectively during 1957–8. During 1956–8 the state government sanctioned a sum of Rs 15 lakhs to the milk societies for disbursement to the members for the purchase of milch cattle.

4.3.5 The main function of the inland fishermen's societies in the state was the acquisition and distribution of lease rights over water courses whereas the issue of loans was the principal business of their marine counterparts. The members did not pool their catches but sold them individually in the local markets. A beginning was, however, made by the members of the Mettur Dam Fishermen's Co-operative Marketing Society in pooling their catches and selling them to fish vendors at contract rates. The catches were generally poor and this had an adverse effect on the ability of the fishermen to meet their obligations to their creditors. With a view to ameliorating the condition of fishermen, the state government introduced a scheme for providing modern fishing boats and nylon

nets to fishermen's societies on interest free loan and subsidy basis. The scheme also provided for the grant of loans and subsidies in equal amounts for the construction of curing sheds and godowns. It is reported that the societies have not been able to make any appreciable progress in solving the problems facing the fishermen in the state. They have yet to reach the objective of eliminating middlemen by making suitable arrangements for the preservation and marketing of fish.

4.4 Punjab

4.4.1 During 1957–8, 95 joint-farming societies and 13 better farming societies were registered and 5 joint-farming societies and 8 better farming societies went into liquidation. As at the end of the year there were 678 farming societies comprising 506 joint-farming societies, 137 better farming societies, 30 tenant farming societies and 5 collective farming societies. Punjab alone accounted for about 41 per cent of the total number of joint-farming societies in the country. The aggregate membership of all types of farming societies in the state stood at 11,892 at the close of the year 1957–8. During 1957–8, the societies received financial assistance amounting to Rs 86,000 by way of loans and Rs 2 lakhs by way of subsidies. The societies commanded 1,27,587 acres of land out of which 1,22,813 acres were under cultivation. The area brought under cultivation constituted 26 per cent of the total area of land cultivated by co-operative farming societies in the country. Out of this, 78,770 acres were under mechanized cultivation. Food grains constituted the most important item of production. The total production during 1957–8 was valued at Rs 58 lakhs including Rs 36 lakhs of food grains.

4.4.2 At the end of the period under review there were 225 irrigation societies, comprising 181 tube well societies and 44 canal irrigation societies, with an aggregate membership of 6,073. They covered an area of 91,778 acres of land out of which 88,571 acres were under irrigation at the end of 1957–8. Punjab is one of the few states in which irrigation societies functioned with relatively greater success inasmuch as about 56 per cent of them worked at a profit during 1957–8.

4.4.3 There were 821 societies engaged in soil conservation, land reclamation and forest management. At the end of 1957–8, they had reclaimed 14,025 acres of land and afforested 95,250 acres. The other types of societies which assisted food production were fruit and vegetable growers' societies which numbered 83 as on 30 June 1958. There were also 42 garden colony societies whose membership comprised 1,625 refugee cultivators from West Punjab (Pakistan). The area under orchards and the value of production stood at 4,684 acres and Rs 4 lakhs at the end of 1957–8.

4.5 Andhra Pradesh

4.5.1 At the end of June 1958 there were 1,034 co-operative farming societies in the state. They comprised 4 joint-farming societies, 4 collective farming societies, 37 land colonization societies and 989 tenant farming societies. The aggregate membership of the societies at 1,00,420 constituted nearly 53 per cent of the total membership of all farming societies in the country. They commanded 86,095 acres of land of which 82,708 acres were under cultivation. They were mostly engaged in the production of food grains, the value of which amounted to Rs 2 lakhs in 1957–8.

4.5.2 There were 26 irrigation societies with a total membership of 3,729 at the end of 1957–8. They irrigated 5,640 acres of land during 1957–8. During the same year they were able to put up irrigation works of the value of Rs 27,000.

4.5.3 The district co-operative marketing societies and the co-operative wholesale stores in the state were entrusted with the distribution of chemical manures. During the period under review, the value of fertilizers distributed amounted to Rs 4,12 lakhs. The co-operatives also undertook distribution of seeds and agricultural implements. There were 14 fruit growers' societies in the state with a membership of 2,342 and share capital of Rs 80,837. Fruits valued at Rs 4 lakhs were marketed by them.

4.5.4 On June 30, 1958 there were 15 milk supply unions and 283 milk supply societies in the state. The unions were located in towns and the milk supply societies organized in the surrounding villages were affiliated to them. With the exception of the Kurnool Milk Supply Union, no union or society had facilities for the pasteurisation of milk, but a few unions possessed equipment for the manufacture of butter and *ghee*. These products are manufactured in winter when the supply of milk is plentiful and in excess of consumer demand. The value of milk and milk products sold by the unions and societies during 1957–8 amounted to Rs 18 lakhs and Rs 12 lakhs respectively. The state government introduced an experimental scheme for increased supply of milk through each of the local milk supply unions in Kurnool and Guntur. As part of the scheme, it sanctioned Rs 1,50,900 to each union by way of financial assistance for meeting capital expenditure on pasteurisation plant and other necessary equipment. Apart from financial assistance, the free services of a co-operative sub-registrar to work as secretary, a dairy assistant for quality control and a senior inspector for organization and supervision of feeder societies were sanctioned to both the unions.

4.5.5 The fishermen's societies in the state were exempted from making contributions to the Audit Fund and such of them as worked well were given scriptory grants. The state government withdrew the concession given to fishermen's societies in regard to the lease of fishing rights, with the result that they had to bid at public auctions if they wished to take up fishing rights on lease. This is reported to have placed the societies at a disadvantage.

4.6 Uttar Pradesh

4.6.1 At the close of the period under review there were 471 farming societies including 153 joint-farming societies, in the state. They had an aggregate membership of 15,137 with 1,37,717 acres of land under cultivation. The value of production of the societies during 1957–8 aggregated Rs 21 lakhs. Out of this, the value of food grains produced by the societies amounted to Rs 16 lakhs. Uttar Pradesh ranked second being next to Punjab in the value of food grains produced by co-operative farming societies.

4.6.2 Co-operatives also played an increasingly important role in the supply of seeds, manures and fertilizers in the state as may be seen from table 4.4 on page 60. The supply of seeds was made by the seed stores which numbered 1,260. Arrangements have been made for the regular supply of seeds throughout the state during the second plan period by the agricultural department jointly with the co-operative department.

4.6.3 At the end of the period under review 7 milk unions were functioning at important cities *viz*. Lucknow, Allahabad, Varanasi, Kanpur, Meerut, Haldwani and Almora. These unions were supplied with milk by 258 societies. The state government provided pasteurisation and refrigeration plants to these unions. It also made available

TABLE 4.4 — CO-OPERATIVES AND SUPPLY OF AGRICULTURAL REQUISITES

Item	1956–7	1957–8
1	2	3
Kharif and *rabi* seeds	20·05 lakh maunds	21·07 lakh maunds
Green manure	7,482 maunds	7,816 maunds
Oil cakes..	3,476 maunds	25,350 maunds
Chemical fertilizers	46,116 tons	51,929 tons

the services of an inspector to each of them free of cost. The problem of surplus milk was not as acute as in other states as the societies possessed facilities for converting the surplus milk into butter and *ghee*. However, the unions often experienced difficulty in selling their products in the open market due to competition from the private trade.

4.7 Kerala

4.7.1 At the close of the year 1957–8 there were 47 joint-farming societies, 10 collective farming societies and 2 better farming societies with an aggregate membership of 8,671 in the state. Their paid-up capital amounted to Rs 3·21 lakhs inclusive of a government contribution of Rs 0·18 lakh. The societies brought 8,447 acres of land under cultivation by the end of June 1958 and produced Rs 2·31 lakhs worth of commodities during 1957–8, of which food grains accounted for Rs 2·14 lakhs.

4.7.2 The fishermen's societies in Kerala, of which there were 169 with a membership of 24,810 at the end of June 1958, were organized, supervised and assisted with funds by the fisheries department. They were primarily concerned with advancing loans to their members although some of them also supplied fishing tackle and other requisites. The societies received 10-year loans from the state government to enable their members to redeem their outside debts and also purchase fishing boats and nets. The average loan per society and per member was Rs 5,000 and Rs 100 respectively. As the amount of the loan per member was relatively inadequate it was reported that the societies had not been able to bring about a material improvement in the economic condition of the fishermen.

4.7.3 The Indo-Norwegian project for the development of marine fishing in India, a joint venture of the Government of Norway, the Government of India and the state government, has been located at Quilon. Under this project modern methods of fishing as also improved methods of fish preservation and transportation have been introduced. An ice and cold storage plant has been installed for the quick freezing of fish. It is intended eventually to transfer the control and management of the plant and machinery installed under this project to a co-operative marketing organization to be formed for the purpose. Fishing boats have been constructed under the scheme and made available along with fishing nets to members of two fishermen's societies in Quilon on a subsidized basis, the amount of subsidy ranging between Rs 2,300 and Rs 2,800 per boat.

4.8 INDUSTRIAL PRODUCTION

The Constitution of the country has laid a special responsibility on the state in regard to the development of cottage and small-scale industries. The Planning Commission has

allocated an amount of Rs 200 crores in the Second Five Year Plan for their development. The promotion of these industries is necessary not only to provide employment opportunities to a large number of unemployed persons but also to provide subsidiary occupations to such agriculturists as are not fully employed during the off season. Further, these industries help in the production of consumer goods the demand for which is increasing and bring about a decentralized pattern of production which will temper the concentration of economic power in the hands of a few. Scattered all over the country, they also help to reduce the congestion of population and the attendant evils in big towns and cities. As stated by the Planning Commission in the Second Five Year Plan "the primary object of developing small industries in rural areas is to extend work opportunities, raise incomes and standard of living and to bring about a more balanced and integrated rural economy".

4.9 Co-operative Organization of Small-Scale and Cottage Industries

The co-operative form of organization is especially suited to the proper development of cottage and small-scale industries. Individual artisans scattered in different parts of the country and possessing very little means can solve their problems such as supply of raw materials, credit and marketing by combining together into co-operatives at suitable centres. Further, channelling of government aid including grants and loans can be done effectively through co-operative organizations with their federal structure. The need for developing co-operatives for village and small-scale industries was stressed in the First Five Year Plan but the actual achievement in the period was confined only to handloom co-operatives. It is only in the Second Five Year Plan that a co-ordinated approach to tackle the various problems of all industrial co-operatives has been made on a significant scale.

4.10 Second Five Year Plan

As stated in the previous Review, the basic approach and most of the recommendations of the Village and Small-scale Industries' Committee, which was appointed in June 1955, were accepted and were incorporated in the Second Five Year Plan. Rs 200 crores were set apart for various industries as per details given in table 4.5 on page 62, which presents a comparison with actual expenditure incurred on them in previous years.

4.11 All India Handloom Board

The working of the All India Handloom Board and the steps taken by it to develop the handloom weaving industry have been given in some detail in the last Review. The administration of the Cess Fund set apart by the Government of India for the industry is one of the functions of the Board. The total amount in the Fund was apportioned among the various states. Within the shares allotted to the states, known as the 'ceiling shares' the states were asked to formulate schemes and obtain sanction of funds from the Government of India for implementing them. From 1 April 1957 the Textile Commissioner was given the necessary powers to sanction the schemes in his capacity as *ex-officio* Joint Secretary to the Government of India.

4.12 Organization of Co-operative Societies for Handloom Weavers

Organization of co-operative societies for handloom weavers was considered by the All India Handloom Board as the most suitable method of promoting the handloom industry. To encourage handloom weavers to join co-operative societies, state governments sanction two year loans to them. Weavers can obtain 87½ per cent of the value of shares subject to a maximum of Rs 50, and contribute 12½ per cent out of their own

TABLE 4.5 — EXPENDITURE ON COTTAGE AND SMALL-SCALE INDUSTRIES

Lakhs of rupees

Industry	1951–5	1955–6	Provision under Second Five-Year Plan 1956–61
1	2	3	4
Handloom	6,50	4,60	36,50
Industrial estates	—	—	15,00
Village industries	1,10	3,00	41,80
Small-scale industries	2,00	3,20	46,00
Handicrafts	40	60	12,00
Silk & sericulture	80	50	5,00
Coir	—	10	1,70
Khadi	4,90	3,50	19,70
Unallocated	—	—	22,30
Total	**15,70**	**15,50**	**200,00**

resources and take shares in weavers' co-operative societies. As against a total estimated number of 28·8 lakhs of looms there were only 6·8 lakhs looms in the co-operative fold in October 1953. This number has been steadily increasing and the number of looms in co-operative societies aggregated 11·19 lakhs as on 31 December 1958. The number of handloom weavers' co-operative societies increased from 5,748 at the end of 1953–4 to 9,352 as on 31 December 1958.

4.13 Working Capital Requirements — Reserve Bank of India

4.13.1 The Committee on Credit Facilities for the Handloom Industry which was set up in 1955 by the Conference of Development Secretaries of states concerned with the industry and the representatives of the Reserve Bank of India, recommended that the weavers' co-operative societies should endeavour to obtain their credit requirements from the Reserve Bank of India under Section 17(2) (*bb*) of the Reserve Bank of India Act as early as possible and in any case not later than 31 March 1957. Taking into consideration the target for production fixed for the handloom industry in the Second Five Year Plan, the Committee estimated that Rs 21 crores of working capital would be required for the looms in co-operatives and Rs 5·5 crores for those outside it. The credit required for marketing handloom cloth was estimated at Rs 3 crores for the co-operatives and Rs 1 crore for looms outside the co-operative fold making the total of Rs 30 crores in round figures.

4.13.2 The Central Board of the Reserve Bank of India examined the recommendation made by the Committee referred to above and agreed to finance the handloom industry in the co-operative fold under section 17(2) (*bb*) of the Reserve Bank of India Act on two good signatures together with the guarantee of the state government for the return of the principal and the payment of interest.

4.13.3 This scheme of finance came into operation on 1 April 1957. The Reserve Bank sent to all state governments, instructions detailing the procedure for the co-operative banks to apply for credit under this scheme. Applications started coming to the Reserve Bank towards the latter half of the year 1957–8. To start with, the Reserve Bank agreed to finance the cotton handloom weavers' societies in Madras, Andhra, Kerala, Bombay, Madhya Pradesh, Mysore, Bihar, Orissa, Punjab, Rajasthan and certain portions of the Assam state and suggested to the Board to continue to finance the societies in West Bengal and the centrally administered areas from the Cess Fund. Silk and wool handlooms also continue to be financed from the Cess Fund. This arrangement continued during the review period.

4.13.4 The salient features of the Reserve Bank scheme of handloom finance are the following:

(*i*) The Reserve Bank advances funds to the state co-operative banks at $1\frac{1}{2}$ per cent below the Bank Rate on condition that the primary weavers' societies will get the finance at 3 per cent. In respect of individual losses arising out of non-recovery of loans, the Government of India would bear 50 per cent themselves, and the state governments would bear 40 per cent leaving it to the co-operative financing banks to bear the remaining 10 per cent. So far as the Central Government's share in the loss is concerned there will be an upper ceiling of 5 per cent of the total funds disbursed to the handloom industry by the co-operative banks.

(*ii*) Supervisory and audit staff on an adequate scale should be appointed by the state governments to ensure the success of the scheme. The expenditure on any extra staff, over and above the 4 per cent ceiling share of administrative charges admissible to state governments out of the Cess Fund will be shared by the Government of India and the state government half and half.

(*iii*) The requirements of the weavers' societies are calculated at Rs 300 per loom.

(*iv*) The financial accommodation available under the scheme is to the extent of the owned funds (paid-up share capital + statutory reserve fund) of a central co-operative or industrial co-operative bank and to the extent of three times the owned funds in the case of an apex or regional weavers' society.

4.13.5 The financial accommodation made available to the handloom industry in the co-operative sector by the Reserve Bank through the state co-operative banks is given in table 4.6 on page 64.

4.13.6 The question of extending credit facilities on similar lines to other cottage industries is engaging the attention of the Reserve Bank of India. Investigations have been undertaken or are proposed to be undertaken by the Bank in respect of the following industries: (*i*) Sericulture, (*ii*) Fisheries, (*iii*) Salt manufacture, (*iv*) Coir, (*v*) Leather, (*vi*) Palm-*gur*, (*vii*) *Ghani*-oil, (*viii*) Hand-pounding of paddy.

4.13.7 Mention was made in the last Review that a programme for the development of the handloom industry during the Second Five Year Plan had been drawn up, providing for raising the annual production of handloom cloth to 3,200 million yards. With this end in view, the Central Government decided by an order dated 8 May 1956 for the compulsory registration of looms. Accordingly, 25 lakhs of looms were duly registered by 30 September 1958.

TABLE 4.6 — FINANCIAL ACCOMMODATION FROM THE RESERVE BANK OF INDIA

Lakhs of rupees

Sl. No.	Name of the state co-operative bank	Amount sanctioned for 1957–8[1]	Amount drawn during 1957–8[1]	Amount outstanding as on 31 March 1958
1	2	3	4	5
1	Andhra State Co-operative Bank	54·26	—	—
2	Bombay State Co-operative Bank	35·80	14·49	14·49
3	Madras State Co-operative Bank	73·24	25·16	25·16
4	Orissa State Co-operative Bank ..	7·45	6·95	6·95
5	Vidarbha State Co-operative Bank	9·44	2·68	2·68
	Total	**1,80·19**	**49·28**	**49·28**

[1] April–March

4.13.8 The state-wise details of grants and loans made available by the Handloom Board to various states under its development schemes and the expenditure incurred under such sanction during the period 1956–8 are given in table 4.7 on page 65. The results of this substantial outlay were fairly significant. The number of looms in the co-operative fold showed a steady increase from 6·8 lakhs in October 1953 to 11·19 lakhs as on 31 December 1958. The production of handloom cloth which was estimated at 1,200 million yards in October 1953 increased to 1,510 million yards in 1956. This further increased to 1,714 million yards by the end of 1958. The sale of finished goods of weavers' co-operatives increased from Rs 23 crores in 1955–6 to Rs 46 crores in 1957–8.

4.13.9 During the period under review, the Board was actively engaged in the promotion of exports. This was mainly achieved through participation in fairs and exhibitions. The Board participated in 17 exhibitions in various foreign countries in places such as Venice, Nairobi, Bangkok, Texas, New York, Tokyo, Peking, Damascus, Stockholm, Prague, etc.

4.14 Khadi and Village Industries Commission

4.14.1 The All-India Khadi and Village Industries Board was set up in February 1953 to prepare and organize programmes for the development of *khadi* and village industries. The functions of the Board were taken over from 1 April 1957 by the Khadi and Village Industries Commission, a statutory body established under the Khadi and Village Industries Commission Act 1956. The Commission continued to implement the policies laid down by the Board. The funds for the development of *khadi* and village industries are placed at its disposal by the Government of India in two or more instalments according to requirements. Expenditure by the Commission is regulated in accordance with the pattern of financial assistance approved from time to time by the Government of India.

TABLE 4.7 — STATEMENT SHOWING DETAILS REGARDING THE GRANTS AND LOANS SANCTIONED FROM THE CESS FUND AND EXPENDITURE INCURRED THEREFROM DURING 1 APRIL 1956 TO 31 MARCH 1958

Lakhs of rupees

State	Amount sanctioned			Expenditure incurred		
	Grants	Loans	Total	Grants	Loans	Total
1	2	3	4	5	6	7
Andhra Pradesh ..	92·57	58·92	1,51·49	1,03·24	69·52	1,72·76
Assam	9·52	7·23	16·75	10·98	5·83	16·81
Bihar	27·79	33·86	61·65	34·61	34·30	68·91
Bombay	1,01·46	45·93	1,47·39	94·45	22·53	1,16·98
Hyderabad	13·50	13·37	26·87	14·88	10·75	25·63
Jammu & Kashmir ..	0·31	0·84	1·15	—	—	—
Kerala	26·09	19·97	46·06	30·18	17·36	47·54
Madhya Pradesh ..	23·86	22·18	46·04	19·60	12·76	32·36
Madras	2,11·87	1,39·01	3,50·88	2,04·44	1,43·30	3,47·74
Mysore	25·46	54·88	80·34	41·10	58·61	99·71
Orissa	19·11	15·73	34·84	22·54	15·77	38·31
Punjab	9·28	4·33	13·61	7·73	4·18	11·91
Rajasthan	5·42	12·94	18·36	7·20	11·82	19·02
Uttar Pradesh	51·30	50·67	1,01·97	55·90	44·30	1,00·20
West Bengal	21·84	25·28	47·12	27·94	30·27	58·21
All other states	5·20	6·50	11·70	3·84	6·95	10·79
Total ..	6,44·58	5,11·64	11,56·22	6,78·63	4,88·25	11,66·88

4.14.2 As a matter of policy, the Commission executes its programme through state boards wherever they have been set up under an Act of the state legislature, through non-official registered institutions recognized by it, and through co-operative societies. In states where no statutory boards have been constituted, the Commission utilizes the agencies of the state department of industries.

4.14.3 The progress in the promotion of production and sales of traditional *khadi* continued to be maintained with vigour by liberal financial assistance for working capital and subsidies to the institutions which were directly in charge of the programme. The review period was significant in that a fillip was given for the manufacture of *khadi* on *Ambar Charkha*. Following the recommendations of the Ambar Charkha Enquiry Committee, a progressive programme for the manufacture of *khadi* was taken up in 1956–7 and continued through the review period. The *Ambar Charkha* programme is important from the point of view of employment. The progress of actual employment is shown by the figures given in table 4.8 on page 66.

4.14.4 Besides developing the *khadi* industry, the Commission is also charged with the responsibility of organizing and developing other village industries. The industries

TABLE 4.8 — PROGRESS OF EMPLOYMENT IN THE AMBAR CHARKHA PROGRAMME

Number of persons in lakhs

	1956–7	1957–8
1	2	3
Spinners	0·46	1·45
Weavers	0·05	0·08
Carpenters	0·02	0·05
Others	0·04	0·10
Total	**0·57**	**1·68**

under the purview of the Commission are: (1) Handpounding of rice, (2) Village oil, (3) Village leather, (4) Cottage match, (5) *Gur* and *Khandsari*, (6) Palm *gur*, (7) Non-edible oils and soap, (8) Hand-made paper, (9) Bee-keeping and (10) Village pottery. Recently, two more industries have been added to the schedule, *viz.* (*i*) fibre excluding coir, (*ii*) village carpentry and blacksmithy. For the development of these industries Rs 5·49 crores were sanctioned and about Rs 4 crores were disbursed over the four years, 1953–4 to 1956–7. Schemes for the development of these industries include the training of village artisans in the use of better tools and techniques, the introduction of improved tools and implements, the running of model production centres, the organization of co-operatives and the marketing of the products of these industries.

4.14.5 During the period under review, the Commission gave consideration to the organizational aspect of *khadi* and village industries. It was realised that the village industries could be developed under co-operative organization. In order to implement this, the Commission constituted the Khadi and Village Industries Co-operative Advisory Committee and created a section in the Commission to implement the recommendation of the committee. Among others, a representative of the Agricultural Credit Department, Reserve Bank of India serves on the committee. The appointment of this committee is relevant to the Review, as the commission has made a beginning in organizing village industries on a co-operative basis wherever possible and thus endeavours to bring them into an institutional set-up for the purpose of financial assistance for production, marketing, etc. The total amount disbursed to the industries looked after by the Commission, both through co-operatives and otherwise during the period under review is given in table 4.9 on page 67.

4.15 Small-Scale Industries Board

4.15.1 Mention was made in the previous Review regarding the assistance chalked out by the Board, generally based on the recommendations of the team of experts of the Ford Foundation who visited India in 1954. The programme drawn up for the development of these industries include positive measures of assistance extended to overcome the major handicaps of small-scale industrial units such as lack of credit facilities, technical know-how and difficulties in marketing. Among the measures taken for technical improvement may be mentioned the Industrial Extension Service and the National Small Industries Corporation. The Corporation's main functions include assistance to small units in securing government orders, development of small industrial units as auxiliary to large ones, export promotion, and supply of machinery under a 'Hire Purchase Scheme'.

TABLE 4.9 — GRANTS AND LOANS FROM THE KHADI AND VILLAGE INDUSTRIES COMMISSION

Lakhs of rupees

Industries	1956–7		1957–8	
	Grants	Loans	Grants	Loans
1	2	3	4	5
1. Traditional *Khadi*	2,55·94	3,09·54	3,07·33	1,59·10
2. *Ambar Charkha* Scheme	93·71	1,75·49	1,75·64	4,74·89
3. Processing of cereals	8·57	12·18	9·17	18·73
4. Village Oil	16·85	34·33	32·22	67·81
5. Village Leather	11·16	12·06	10·32	5·37
6. Cottage Match	8·60	11·04	5·75	6·40
7. *Gur* and *Khandsari*	0·08	—	14·40	10·57
8. Palm *Gur*	20·61	10·39	18·67	6·71
9. Non-edible oils and soap	13·62	22·49	18·34	28·07
10. Hand made paper	5·35	5·80	6·71	8·82
11. Bee-keeping	7·88	1·26	9·25	0·37
12. Pottery	2·65	2·22	4·59	4·60
13. Fibre	1·47	2·20	2·21	1·27

Source : Khadi and Village Industries Commission — Annual Report 1957-8.

4.15.2 The Corporation set up two industrial estates one at Okhla and the other at Naini near Allahabad. The Corporation also set up two proto-type production and training centres with the object of promoting research in manufacturing techniques, laying down specifications, preparing tools and fixtures and supplying them to small industrial units for manufacture of machines on a commercial scale. Two such centres were being set up, at the end of the period, one at Rajkot with the collaboration of the Technical Co-operation Mission of the United States of America and the other at Delhi in collaboration with the West German Government.

4.15.3 The programme for small-scale industrial units includes special facilities intended to provide encouragement for the development of co-operatives in this sector. Firstly, 75 per cent of the value of the shares subscribed is provided as a two-year loan to the members of industrial co-operative societies. Secondly, working capital is provided to such co-operatives to the extent of 75 per cent of the assets pledged as a ten-year loan at 2½ per cent interest. However, it does not appear that much progress has been made in the formation of industrial co-operatives during the period under review. The diversity of problems facing each unit probably was responsible for the slow progress of the co-operative movement in the small industries' sector.

4.16 Coir Board

4.16.1 After the passing of the Coir Industry Act, 1953, the Coir Board was set up, which, besides advising the Government of India on all matters pertaining to the

organization and development of the coir industry, was entrusted with certain specific duties such as regulation of production, registration of spindles, licensing and promotion of export, undertaking scientific research and organization of the industry on co-operative lines. The Coir Industry Act provides for the levy of a duty on the export of coir fibre, coir yarn and coir products. The importance of the industry lies in its being a good foreign exchange earner. Further, it provides employment to some 5 lakhs of persons.

4.16.2 Co-operatives have been organized in certain sectors of the coir industry, such as, retting of husks, production of fibre and spinning of fibre into yarn. The largest number of these societies exists in Kerala where this industry is well developed. By the end of 1956–7 financial assistance to the extent of Rs 64 lakhs had been made available to the coir co-operatives as loans and grants. Whether the coir co-operatives could be brought under the institutional credit structure for production and marketing as in the case of the Handloom Industry was under consideration during the period under review.

4.17 Industrial Finance — Working Funds

4.17.1 It will be worth-while to recapitulate from the previous Review the two-fold aspect of financing industrial co-operatives. On the one hand, it has to be ensured that credit flows smoothly to the industrial units so that the programme of development does not suffer and for this purpose it has to be examined how far the procedure in regard to the financing of industrial co-operatives by co-operative banks could be liberalized so as to secure speed and flexibility. On the other hand, it has to be made certain that by taking these responsibilities the co-operative banks do not jeopardize the soundness of their financial position.

4.17.2 To ensure the success of industrial co-operatives, adequacy of staff for audit and supervision cannot be over-emphasized. Funds for working capital should also be made available at a low rate of interest. The process of institutionalizing loans often increases the cost of such borrowing. A method has thus to be devised, similar to the one in the case of handloom weavers' societies mentioned earlier whereby it can be ensured that while co-operative banks receive a reasonable margin, the funds should reach societies at a low rate of interest. The state will have to subsidize the margins in the rates of interest to co-operative banks to ensure this.

4.18 Working Group on Industrial Co-operatives

4.18.1 The Government of India appointed a Working Group in September 1957 to review the progress made by industrial co-operatives for village and small-scale industries, to examine the difficulties impeding their formation and rapid progress, to investigate their financial, organizational and marketing difficulties and to recommend measures for ensuring their accelerated development with special reference to the objectives and programmes of the Second Five Year Plan. The Working Group has since submitted its report and made numerous recommendations.

4.18.2 The recommendations of the Working Group related to: (1) Organizational Problems, (2) Raw material and Equipment, (3) Provision of Credit, (4) Marketing, (5) Training and Education and (6) Administration and other matters. The recommendations were under the consideration of the Government of India at the end of the review period.

4.19 Progress of Industrial Co-operatives in States

The progress of industrial co-operatives in the different states is given in the following paragraphs. Next to agriculture, the handloom industry is the most widespread providing employment for 30 lakhs of persons full-time and for an equal number part-time. In the state-wise account, the handloom industry is first dealt with separately and other industries are discussed together.

4.20 Andhra Pradesh

4.20.1 The handloom industry is widespread in the state. It is estimated that there were 4·4 lakhs of looms in the state. Vigorous efforts were being made to bring the handloom weavers into the co-operative fold. At the end of 1957–8, 2·29 lakhs of looms, *i.e.* more than 50 per cent of the total number were brought under the co-operative fold. The weavers' societies in the state continued to work as production and sale societies. They paid wages to the weaver members with reference to the type of cloth produced and its marketability. The cloth was taken by the societies and sold on their own account or through the apex weavers' society.

4.20.2 The working capital requirements of these societies, as noted earlier, were met by the Reserve Bank from 1 April 1957. There were 875 weavers' societies in the state at the end of 1957–8. They produced cloth worth Rs 5,73 lakhs and their sales amounted to Rs 5,74 lakhs. As a result of considerable help given by the government in the form of subsidy for sale of handloom cloth, strengthening of staff, opening of sale depots, etc., the societies recouped much of their losses. They came down in the Andhra area from Rs 41 lakhs in 1954–5 to Rs 21 lakhs in 1957–8.

4.20.3 Under the Cess Fund scheme, five dye-factories were sanctioned, of which three at Yemmiganur, Eluru and Mangalagiri were established by the end of the review period. The two dye-factories at Nellore and Rajahmundry which were started earlier continued to work during the period. The Co-operative Spinning Mills at Guntakal was sanctioned an additional loan of Rs 10 lakhs by the Government of India to enable the mill to increase its spindleage from 12,000 to 20,000 so that it could be an economic unit.

4.20.4 A co-operative spinning mill called the Netha Co-operative Spinning Mill was registered about the end of 1957 and it purchased buildings and machinery belonging to an old mill for a sum of Rs 8 lakhs. The Government of India sanctioned a loan of Rs 5 lakhs to the state government to take shares in the Co-operative Mill. In addition to this the state government also invested a large amount in the mills. Another proposal to start a co-operative spinning mill at Chirala for spinning finer counts of yarn was under active consideration during the period under review. Details regarding other industries are given in table 4.10 on page 70.

4.21 Bombay

4.21.1 There were 845 handloom weavers' co-operative societies in the state at the end of 1957–8. The number of looms in the state was estimated at 2·42 lakhs of which 1·80 lakhs were registered and 0·81 lakh had been brought into the co-operative fold. Many of the societies worked as production and sale societies. 5 pattern-making factories were established of which 4 at Maindargi, Surat, Jalgaon and Achalpur started working. A co-operative spinning mill at Limbdi had been established with 12,000 spindles. The government contributed a share capital of Rs 7·23 lakhs. During 1956–8, 14,024 accessories such as warping machines, fly shuttle looms, etc. were sanctioned to weavers' co-operative societies.

TABLE 4.10 — INDUSTRIAL CO-OPERATIVES IN ANDHRA PRADESH

Amounts in thousands of rupees

Industry	No. of Societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Bamboo workers and basket makers ..	19	24	923	960	32	12	38	18
Carpet and *cumbly* weavers	14	46	1,711	2,956	73	5,02	1,01	3,77
Women societies (Miscellaneous) ..	32	36	3,352	3,714	—	56	1	60
Date mat weavers ..	10	17	558	770	17	9	21	17
Ghani oil	20	57	635	885	6,17	4,93	7,76	6,96
Tanning and leather workers	49	87	2,080	3,811	97	87	96	88
Khadi weaving and hand spinning ..	12	19	5,523	2,571	4,03	2,39	5,42	2,09
Bee-keeping and honey production	5	5	238	238	—	2	—	2
Tape weavers ..	8	7	1,695	1,626	61	36	68	38
Wood workers, carpenters and blacksmiths	31	41	1,040	1,546	68	1,36	95	1,08
Dyers and printers ..	4	6	389	408	34	25	34	12
Hand-pounding of rice	12	32	560	1,254	51	1,71	58	1,66
Soap	2	5	55	156	—	—	—	—
Iron, bell and brass metal workers ..	22	42	1,428	1,763	2,58	3,73	4,10	5,00
Bricks, tiles and potters	9	27	395	773	25	16	33	50
Toy makers	6	4	159	84	54	13	46	17
Multi-industrial Consumers societies ..	4	6	236	106	40	31	44	32
Fire and match workers	16	24	1,156	1,242	1,74	2,35	1,78	2,28
Hand made paper makers	6	5	206	150	25	74	24	78
Miscellaneous ..	38	92	3,039	5,360	1,61	4,00	2,06	4,82
Total ..	319	582	25,378	30,373	21,82	29,09	29,71	31,78

4.21.2 District industrial co-operative associations are a feature of the Bombay state. They have been organized on a district basis, to co-ordinate the production and marketing of various cottage industry products, produced by individual artisans as well as the industrial co-operative societies. Most of them did useful work in assisting the handloom weavers' co-operative societies in the districts by supplying them with raw materials and marketing their cloth. These associations supplied raw materials to other industrial co-operatives as well and marketed their products. At the end of the period under review, 35 such district industrial associations were in existence. The Bombay State Co-operative Association is the apex co-operative society for all types of industrial co-operative societies. The industrial co-operatives and the district industrial associations are linked to it for the supply of raw materials, for the procurement of orders, and for marketing.

4.21.3 The Bombay state continued to occupy a leading position in the development of industrial co-operatives other than weavers' societies. After the reorganization of states, the area of the state was enlarged due to merger of Vidarbha and Marathwada. Consequently, the data collected do not admit of comparison with the figures for 1955–6. There were 1,980 industrial co-operative societies other than weavers' at the end of 1957–8 with a membership of 1·09 lakhs. Among other industrial co-operatives in the state, special mention may be made of the labour contract societies and societies for forest labourers, carpenters, leather workers, tanners and oil men. The details are given below:

TABLE 4.11 — INDUSTRIAL CO-OPERATIVES IN BOMBAY

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Oil Men	121	176	3,452	5,032	15,45	33,91	29,64	38,24
Coir & Rope ..	50	62	1,515	1,796	45	11	47	36
Cane & Bamboo	55	75	1,513	2,211	41	53	74	65
Metal Workers ..	37	47	1,238	1,684	1,54	2,19	92	2,89
Carpentry & Smithy ..	79	103	2,770	2,527	4,20	8,44	3,43	6,23
Pottery	32	99	1,817	4,079	74	1,28	36	2,19
Nira & Palm *Gur*	28	34	879	981	2,43	1,86	6,05	3,26
Leather Workers & Tanners ..	349	438	8,224	10,697	13,13	13,82	15,33	14,77
Labour Contract and Forest Labourers ..	451	554	53,246	53,086	61,37	63,54	1,83,10	1,56,72
Miscellaneous[1] ..	342	392	24,466	26,721	57,41	35,54	45,37	87,12
Total ..	1,544	1,980	99,120	1,08,814	1,57,13	1,61,22	2,85,41	3,12,43

[1] Miscellaneous societies as at the end of 1957–8 include Women societies 67, Bee-keeping 5, Dyeing and Printing 9, Handprocessing of grains 20 and others 291.

4.22 Kerala

4.22.1 There were 311 primary weavers' co-operative societies in the state as on 31 March 1958. Of the total number of looms estimated at 1·20 lakhs, 43,188 looms had come into the co-operative fold by the end of 1957–8. There was no apex weavers' society in the state. Three central societies continued to function in the three regions of the state namely Travancore, Cochin and Malabar. A bleaching and calendering plant was being constructed in the industrial estate, Trivandrum. A cotton spinning mill was being established in the co-operative sector at Cannanore.

4.22.2 Under the Coir Development Scheme in the state, co-operatives had been organized in the various sectors of the coir industry, *viz*., (1) *Thondu* societies for collection and distribution of the raw material (cocoanut husk) to the coir primaries, (2) the coir primaries for the production of yarn, (3) central coir marketing societies for the sale of yarn, (4) the coir mats and matting co-operative societies for the manufacture of coir mats and mattings and (5) the coir co-operative unions to supervise and co-ordinate the functions of the different types of societies. The following table gives the particulars regarding the societies in each sector of the coir industry:

TABLE 4.12 — COIR CO-OPERATIVES IN KERALA

Amounts in thousands of rupees

Type	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
1. Primary *Thondu* co-operative societies	33	32	2,826	3,353	11,24	11,18	10,36	11,47
2. Primary coir co-operative societies..	195	273	42,816	72,020	48,81	74,55	45,68	74,22
3. Central coir marketing societies ..	2	3	250	245	41,38	60,37	41,38	58,33
4. Factory coir co-operative societies	—	2	—	495	—	—	—	—
5. Coir co-operative unions	15	15	143	183	—	—	—	—
Total ..	245	325	46,035	76,296	1,01,43	1,46,10	97,42	1,44,02

4.22.3 Besides there were 259 other industrial co-operatives having a membership of 23,488. They produced goods valued at Rs 57 lakhs and sold goods worth Rs 68 lakhs during 1957–8.

4.23 Madras

4.23.1 The weavers' co-operative movement made further progress during the period under review. At the end of the year 1957–8 there were 981 weavers' societies

as against 842 at the end of 1955–6. The looms brought into the co-operative fold increased from 1·60 lakhs on 30 June 1956 to 1·85 lakhs at the end of 1957–8. This represented 42 per cent of the total number of looms in the state. Production and sale increased further during the period. The societies produced cloth of the value of Rs 9,38 lakhs and sold goods of the value of Rs 10,98 lakhs in 1957–8 as against Rs 4,88 lakhs and Rs 5,89 lakhs during 1955–6. The weavers' societies disbursed wages, dividend and loans to their members amounting to Rs 2,91 lakhs, Rs 1 lakh and Rs 4 lakhs respectively during 1957–8. Under the system of thrift collections from the wages paid to members, the societies collected thrift deposits to the extent of Rs 14 lakhs during the year ended 30 June 1958. The Government approved 12 housing schemes for weavers at an estimated cost of Rs 58 lakhs. Under these twelve schemes, the construction of 1,218 houses was planned. By the end of 1957–8, 128 houses were completed.

4.23.2 The apex weavers' society was running 5 collective weaving centres, two weaving factories and 4 dye-factories and 5 pattern-making factories. The society established a calendering plant at Erode. Three co-operative spinning mills have been established in the state.

4.23.3 There were 1,428 palm jaggery manufacturing societies with a membership of 1.73 lakhs. Their paid-up capital amounted to Rs 5 lakhs at the end of the period under review. The value of jaggery produced in the year 1957–8 by these societies was Rs 97 lakhs and the sales amounted to Rs 1,15 lakhs. The structure of the palm *gur* co-operatives in the state consisted of 1,428 primary palm *gur* societies and 5 district jaggery marketing societies. This two-tier structure was further strengthened by the organization of a state palm *gur* co-operative federation during the review period. The apex and district societies purchased *gur* worth Rs 15 lakhs and sold *gur* of the value of Rs 16 lakhs during 1957–8.

4.23.4 There were three *khadi* weavers' co-operative societies with a membership of 1,066 in the state at the end of the year 1957–8. They produced and sold goods of the value of Rs 2·70 lakhs and Rs 2·85 lakhs during the year 1957-8.

4.23.5 The Madras Women's Cottage Industries Central Society continued to purchase cloth and distribute them to women's primary societies for making garments as per specifications given by the society.

4.24 Orissa

4.24.1 The co-operative movement made progress in the handloom sector during the period under review. The number of weavers' societies increased from 291 in 1955–6 to 474 at the end of 1957–8. The membership rose from 0·29 lakh to 0·45 lakh and sales from Rs 46 lakhs to Rs 66 lakhs during the period. 33 per cent of the total number of handloom weavers have joined co-operative societies.

4.24.2 There were 5 pattern-making factories in the state at the end of the period. Besides, there were 8 dyeing units managed by the government and 10 subsidized dyeing units managed by the weavers' co-operative societies. The work of building 3 housing colonies for weavers was in progress.

4.24.3 The progress in respect of industrial societies other than weavers' societies was not satisfactory. The table 4.13 on page 74 gives the details in this regard.

TABLE 4.13 — INDUSTRIAL CO-OPERATIVES IN ORISSA

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Pottery	2	15	96	517	10	44	2	43
Grahalakshmi ..	30	40	1,465	2,005	10	18	1	15
Rope-making ..	6	8	244	360	1	1	1	1
Blacksmith	—	3	—	31	—	1	—	2
Bee-keeping.. ..	7	12	123	151	1	1	2	1
Ghani..	30	18	1,031	294	6	11	—	8
Palm *Gur*	8	3	128	55	1	1	1	1
Stone workers ..	3	5	371	446	20	29	18	22
Cane and bamboo workers	6	5	370	111	4	4	4	3
Lac workers.. ..	1	1	24	24	—	—	—	—
Brick makers ..	4	6	92	77	1	1	1	1
Tasar Rearers ..	20	9	1,327	2,133	61	80	60	51
Hide, Bone & Leather	20	11	790	359	33	11	28	12
Bell metal	7	9	599	499	44	1,85	67	1,82
Horn & Ivory workers	1	1	43	84	12	21	10	17
Carpentry	1	7	12	212	—	15	—	18
Salt production ..	5	5	1,133	1,146	1,27	1,49	1,12	1,09
Filigree workers ..	1	3	108	202	74	1,30	80	52
Other industries ..	18	24	765	1,080	1,19	2,30	70	1,87
Total ..	**170**	**185**	**8,721**	**9,786**	**5,24**	**9,32**	**4,57**	**7,25**

4.25 West Bengal

There were 1,010 primary weavers' co-operative societies at the end of 1957–8 with a membership of 75,134 and a working capital of Rs 51 lakhs. 56 per cent of the total number of weavers had been brought into the co-operative fold in the state by the end of 1957–8. The weavers' societies purchased the entire output of their members and sold it through the apex weavers' society. There were 411 industrial co-operative societies other than weavers' societies at the end of the period under review having a membership of over 0·19 lakh. The details regarding their working during the period are given in table 4·14 on page 75.

4.26 Punjab

There were 562 weavers' co-operative societies at the end of the period under review. Out of an estimated number of 60,000 weavers in the state, over 10,000, forming 16 per cent of the total number of weavers, have been brought into the co-operative fold. They produced cloth of the value of Rs 67 lakhs and sold cloth worth Rs 69 lakhs during the period. A few industrial co-operative unions were formed at the district level to help

TABLE 4.14 — INDUSTRIAL CO-OPERATIVES IN WEST BENGAL

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Footwear & Leather goods	16	23	345	539	2	25	9	109
Bell metal	22	21	1,815	1,874	18	38	95	1,78
Carpentry	7	16	138	350	12	1,30	12	1,27
Mohila Silpa	4	21	101	1,187	8	11	10	15
Pottery	15	18	264	599	1	5	2	10
Conch Shell	17	23	586	1,485	1,30	1,70	2,32	3,84
Soap Manufacturing	2	2	21	34	1	20	3	38
Tailoring	—	7	—	254	—	6	—	6
Arts & Crafts ..	1	2	109	32	13	50	22	86
Comb	—	2	—	45	—	60	—	58
Paper	1	1	53	52	9	10	19	24
Brick	2	9	185	350	—	60	8	1,54
Silk reelers & rearers	44	24	898	637	2,39	1,27	5,45	2,29
Bamboo Workers ..	2	3	30	66	—	—	—	7
Wool Manufacturing	2	2	106	115	14	12	19	5
Cutlery	3	3	79	96	20	32	27	35
Mat Making ..	18	24	1,260	1,684	25	22	29	23
Tasar..	1	1	105	140	10	30	16	43
Blacksmithy ..	11	8	176	240	4	2	10	5
Bidi Producers ..	5	5	185	174	2	3	6	7
Bead Makers ..	2	3	28	66	—	—	—	—
Brass Metal	—	2	—	113	—	7	—	—
Hosiery	2	2	39	10	28	—	27	—
Concrete Goods ..	1	1	65	63	—	—	1	2
Tinsmith	—	2	65	63	—	—	1	2
Horn Goods ..	2	2	145	170	6	17	8	17
Others	178	184	5,864	8,819	9,59	5,98	20,37	16,28
Total ..	**358**	**411**	**12,662**	**19,257**	**15,01**	**14,35**	**31,38**	**31,92**

the primaries to market their products. The primaries are affiliated to these district unions. The state government gave grants to district unions at Batala, Hoshiarpur, Jullundur, Ambala and Panipat. The Punjab Handloom Weavers' Apex Co-operative Society continued to purchase yarn at wholesale rate from the yarn producing mills in the country and supplied it to member societies. The progress in respect of the industrial co-operative societies other than weavers' societies is given in table 4.15 on page 76.

TABLE 4.15 — INDUSTRIAL CO-OPERATIVES IN PUNJAB

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Khadi and village industries	247	302	4,244	5,144	30,75	23,43	n.a.	n.a.
Small-scale industries	831	1,095	13,743	16,781	34,06	71,49	n.a.	n.a.
Handicrafts and sericulture industries	16	21	209	372	46	1,03	n.a.	n.a.
Industrial unions ..	15	17	370	448	—	—	15[1]	38[1]
Total ..	**1,109**	**1,435**	**19,145**	**22,745**	**65,27**	**95,95**		

[1] As agents.

4.27 Uttar Pradesh

4.27.1 The weavers' societies made further progress during the year under review. There were 1,146 weavers' societies, out of which 47 were district societies. The number of primary societies was 1,099 as at the end of 1957–8 as against 1,009 at the end of 1955–6. The membership of the societies went up from 1 lakh to 1·07 lakhs. It was mentioned in the last Review that the sales of weavers' societies increased from a sum of Rs 19 lakhs in 1953–4 to Rs 1,60 lakhs in the subsequent year and further to Rs 4,39 lakhs in 1955–6. This progress was maintained during the period under review. The sales during 1957–8 amounted to Rs 4,55 lakhs. To promote marketing activity, there was a network of 152 sales depots all over the state and 5 inter-state depots.

4.27.2 There was no separate apex organization for the weavers' societies alone, but all the weavers' societies were affiliated to the Uttar Pradesh Industrial Co-operative Association Ltd., Kanpur. The Association continued to arrange for publicity and sales as also for the bulk supply of raw materials to the district societies, which in turn supplied them to primaries.

4.27.3 The progress in respect of societies other than weavers' is given in table 4.16 on page 77.

4.28 Assam

A special feature of Assam is that 90 per cent of the families in rural areas have a loom each and almost every woman is a handloom weaver. They weave cloth for their own use. It may, therefore, be said that the handlooms in Assam are domestic looms. But in order to give them facilities such as the supply of yarn, technical advice, etc. these domestic looms also have been brought into the co-operative fold to the extent possible. There were more than 1,000 weavers' co-operative societies in the state at the end of the

TABLE 4.16 — INDUSTRIAL CO-OPERATIVES IN UTTAR PRADESH

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Leather & Tanners Societies	88	160	1,209	3,214	1,22	5,24	78	3,90
Gur Khandsari ..	26	60	511	1,297	21	1,23	7	69
Tel ghani Societies ..	24	104	182	1,454	31	1,01	14	1,32
Hand-pounding ..	9	30	116	339	9	35	4	32
Wood	17	42	288	1,037	55	1,07	63	1,13
Smithy (Iron & Steel) ..	8	27	53	573	9	58	4	26
Tailoring	8	15	84	195	1	7	1	6
Brass-ware	11	15	320	2,824	1,34	4,79	1,30	5,63
Pottery	n.a.	13	n.a.	232	n.a.	12	n.a.	9
Printing	n.a.	11	n.a.	461	n.a.	21	n.a.	21
Match Industry ..	n.a.	11	n.a.	106	n.a.	13	n.a.	–
Bidi	n.a.	10	n.a.	151	n.a.	15	n.a.	5
Soap	n.a.	9	n.a.	172	n.a.	8	n.a.	11
Toy making ..	n.a.	6	n.a.	52	n.a.	1	n.a.	1
Paper making ..	n.a.	5	n.a.	385	n.a.	50	n.a.	62
Baint Udyog.. ..	n.a.	8	n.a.	106	n.a.	25	n.a.	29
Miscellaneous ..	147	168	3,603	4,233	5,18	4,49	6,26	4,31
Total ..	338	694	6,366	16,831	9,00	20,28	9,27	19,00

review period. As production is generally for domestic use and not for marketing, the co-operative movement could not bring a large number of weavers into the co-operative fold. Only 2 per cent of the weavers have been brought into the co-operative fold by the end of the review period.

4.29 Rajasthan

The weavers' co-operative societies in the state numbered 767 at the end of the review period having a membership of 26,468 and a working capital of Rs 22 lakhs. During the period, the Rajasthan Rajya Bunkar Sahakari Society Ltd. which is the apex society was registered and commenced functioning.

4.30 Bihar

4.30.1 The weavers' co-operatives recorded good progress in the state during the period under review. Their number rose from 636 on 30 June 1956 to 989, looms in the co-operative fold from 0·88 lakh to 1·31 lakhs and working capital from Rs 22 lakhs

to Rs 76 lakhs by the end of June 1958. The production of handloom cloth in the co-operative sector registered a three-fold increase from Rs 1,42 lakhs to Rs 5,89 lakhs. 77 per cent of the weavers were brought into the co-operative fold by the end of the period under review.

4.30.2 The Bihar State Handloom Weavers' Co-operative Union which is the apex weavers' society continued to supply yarn at reasonable rates to the primary weavers' co-operatives. It marketed cloth produced by the affiliated societies to the extent of Rs 40 lakhs during the period under review. The Government of India sanctioned a scheme for setting up four dye-houses at a total cost of Rs 2 lakhs out of which three commenced working during the period. Six pattern making factories were set up during the period. A spinning mill in the co-operative sector was registered for which licenses for 12,000 spindles were granted. There were 100 sales depots at the end of the period. There was a special scheme intended for the benefit of scheduled tribes under which a sum of Rs 1 lakh was distributed to 1,000 weavers as working capital and Rs 0·18 lakh as share capital loan in 1957–8.

4.30.3 As regards societies other than weavers' societies, the oil men's co-operative societies are important in Bihar. There were 355 such societies at the end of the period under review with a membership of 6,270. During 1957–8 they produced oil of the value of Rs 23 lakhs.

4.31 Madhya Pradesh

4.31.1 There were 254 primary weavers' co-operative societies at the end of the period under review with a membership of 0·34 lakh. The production of these societies during 1957–8 amounted to Rs 54 lakhs and their sales were to the tune of Rs 59 lakhs.

4.31.2 The progress in respect of industrial co-operative societies other than weavers' is given below:

TABLE 4.17 — INDUSTRIAL CO-OPERATIVES IN MADHYA PRADESH

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Leather	136	165	2,904	3,122	94	1,11	94	1,11
Metal workers ..	24	19	692	700	2,99	3,76	3,18	4,11
Brick (Potteries) ..	22	10	340	180	6	2	5	2
Ghee	2	—	148	—	23	—	29	—
Other Miscellaneous Industries ..	307	181	8,582	5,125	15,99	13,61	15,34	17,43
Total ..	**491**	**375**	**12,666**	**9,127**	**20,21**	**18,50**	**19,80**	**22,67**

4.32 Mysore

The co-operative movement made further progress in the handloom sector during the period under review. There were 537 weavers' societies in the state at the end of 1957–8 with 0·78 lakh members and working capital and share capital of Rs 1,78 lakhs and 28 lakhs respectively. The number of looms brought into the co-operative fold totalled 0·54 lakh and the value of goods produced amounted to Rs 2,67 lakhs. The Rural Industrialization scheme was continued during the period under review. There were 832 industrial co-operative societies other than weavers' with a membership of 1·82 lakhs at the end of 1957–8. During the year 1957–8 they produced goods worth Rs 44 lakhs and their sales aggregated Rs 56 lakhs.

4.33 Himachal Pradesh

4.33.1 The weavers' population being scattered in the state, the co-operative movement among them necessarily made a slow progress. The economy in the state in many parts is based on village self-sufficiency system with the result that avenues for marketable surplus have not been tapped on any significant scale. There were only 5 handloom weavers' societies having a working capital of Rs 0·28 lakh and a loomage of only 32 in the whole of the state at the end of 1957–8.

4.33.2 The progress in respect of other industrial co-operative societies is given in the following table:

TABLE 4.18 — INDUSTRIAL CO-OPERATIVES IN HIMACHAL PRADESH

Amounts in thousands of rupees

Industry	No. of societies		Sales	
	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5
Leather	9	13	37	41
Miscellaneous	13	12	2,01	1,40

4.34 Pondicherry

4.34.1 There were 16 weavers' co-operative societies at the end of June 1958 with a membership of 1,849. They produced cloth of the value of Rs 8·42 lakhs whereas their sales amounted to Rs 8·31 lakhs during 1957–8.

4.34.2 There were 6 other industrial societies having a membership of 227 at the end of the period. Their production and sales during 1957–8 amounted to Rs 0·37 lakh and Rs 0·53 lakh respectively.

4.35 Delhi

4.35.1 There were 50 weavers' co-operative societies at the end of the period having a membership of 906 and a working capital of Rs 5 lakhs. About 10 per cent of the

total number of weavers had been brought into the co-operative fold. The weavers' societies produced goods worth Rs 12 lakhs during 1957–8.

4.35.2 The progress in respect of industrial co-operatives other than weavers' societies is given below:

TABLE 4.19 — INDUSTRIAL CO-OPERATIVES IN DELHI

Amounts in thousands of rupees

Industry	No. of societies		No. of members		Production		Sales	
	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8	1956–7	1957–8
1	2	3	4	5	6	7	8	9
Leather	36	37	604	611	185	2,25	1,74	2,34
Others	211	235	4,688	5,287	51,26	52,91	44,57	55,25

4.36 Tripura

At the end of the period under review there were 41 weavers' societies having a membership of 2,763 or 23 per cent of the total number of weavers in the territory.

5. CO-OPERATIVE MARKETING

5.1 General

At the beginning of the Second Five Year Plan, there were several states in the country where there were no marketing societies. Even in those states where there were marketing societies worth mentioning, the activities of such societies were confined largely to the sale of consumers' goods, fertilizers, agricultural implements, etc. Co-operative marketing of agricultural produce received serious attention under the Second Five Year Plan and it formed an important part of the integrated scheme of rural credit. The Second Five Year Plan provided for the development of co-operative marketing and processing, and the provision of facilities for storage of agricultural produce. Though the development of co-operative marketing has lagged far behind co-operative credit, yet some beginning was made during the period under review to develop co-operative marketing and processing on a planned basis. The particulars relating to marketing societies in the country at the end of 1957–8 are shown in the table below:

TABLE 5.1 — MARKETING SOCIETIES

Amounts in lakhs of rupees

Item	State	Central	Primary
1	2	3	4
Number	13	2,685	1,899
Membership	2,016	6,02,900	5,41,289
Paid-up share capital	60·25	2,40·92	2,22·31
Reserves	92·97	3,80·61	1,60·24
Borrowings	2,88·69	9,19·57	5,34·72
Working capital	**4,41·91**	**15,41·10**	**9,17·27**
Loans advanced	5·22	7,69·98	9,32·02
Purchases	1,75·02	18,93·75	10,61·39
Sales:			
as owners	1,25·08	16,03·55	4,76·20
as agents	3,77·90	12,59·54	11,32·96

5.2 Primary Marketing Societies

5.2.1 The number of primary marketing societies, excluding primary cane supply societies, functioning on 30 June 1958, stood at 1,899. The number of cane growers' societies, mostly concentrated in Bihar and Uttar Pradesh stood at 7,469 in 1957–8. Details of their activities are given at a later stage in this chapter.

5.2.2 During 1957–8, the total membership of the 1,899 primary marketing societies stood at 5·41 lakhs. The paid-up share capital and reserves amounted to Rs 2,22 lakhs and 1,60 lakhs respectively, while their borrowings came to Rs 5,35 lakhs. The state

governments' contribution towards the share capital of these societies was Rs 65 lakhs in 1957–8 as against Rs 14 lakhs in 1956–7. Their working capital aggregated Rs 9,17 lakhs. The primary marketing societies advanced loans to their members to the extent of Rs 9,32 lakhs and recovered Rs 8,85 lakhs. The total purchases made were of the value of Rs 10,61 lakhs as against sales of Rs 4,76 lakhs as owners and Rs 11,33 lakhs as agents in 1957–8; the societies earned a commission of Rs 16 lakhs in 1957–8. The value of agricultural requisites distributed by the primaries in the form of seed, manure and fertilizers, etc., amounted to Rs 5,30 lakhs; 1,121 societies earned a profit of Rs 30 lakhs while 484 worked at a loss of Rs 17 lakhs at the end of the year 1957–8. The financial assistance given to the primary marketing societies by the state governments for the construction of godowns, cost of management, etc., in the form of loans and subsidies, amounted to Rs 44 lakhs and Rs 19 lakhs respectively during 1957–8.

5.2.3 The number of godowns owned by primary marketing societies stood at 462 and the number of godowns hired by them stood at 1,184 in 1957–8. The progress in the primary marketing societies in the various states at the end of 1957–8 is given in table 5.2 on page 83. It may be stated that co-operative marketing societies made a promising start particularly in the distribution of fertilizers and seeds and in marketing members' produce.

5.2.4 In *Andhra Pradesh*, the process of amalgamation of weak and small societies and the organization of new societies, wherever necessary so as to cover all *mandi* or market centres was continued. The 150 primary societies in the state advanced loans to their members to the extent of Rs 1,73 lakhs and recovered Rs 2,02 lakhs during 1957–8. Out of the 150 societies, 139 societies were in the Andhra area while 11 were in the Telangana area. The business undertaken by the societies in the Telangana area was mostly distribution of fertilizers which was entrusted to co-operatives on monopoly basis. Among the marketing societies in the state, a reference might be made to the Anakapalle Co-operative Marketing Society which had a membership of 3,231 and a paid-up share capital of about Rs 2 lakhs as on 30 June 1958, of which government contributed Rs 5,000. This society recovered loans from members, who had been financed by their primary credit societies, to the extent of Rs 10 lakhs in 1956–7 and Rs 7 lakhs in 1957–8. The value of Jaggery marketed amounted to Rs 34 lakhs in 1956–7 and to an equal amount during 1957–8. Co-operative marketing of tobacco also made a beginning in Andhra Pradesh. There were 3 co-operative societies for tobacco growers in the Andhra area and one society in the Telangana area. The Hyderabad Agricultural Co-operative Association (HACA) which was registered in the year 1949 continued to function as a central co-ordinating agency for the Taluka Agricultural Co-operative Associations (TACAS) in the erstwhile Hyderabad state. As on 30 June 1958, there were 54 TACAS in the Telangana area with a membership of 85,076 and a paid-up share capital of Rs 24 lakhs. Their main function was to purchase and supply agricultural implements, fertilizers, iron and steel. The purchases and sales made by the TACAS during 1957–8 amounted to Rs 15 lakhs and Rs 17 lakhs respectively. Seven TACAS were converted into marketing societies in 1957–8. Besides, there were 14 fruit growers' co-operative marketing societies which marketed fruits of the value of Rs 2 lakhs and earned a commission of Rs 8,195. The fruits handled by them were mostly limes and cocoanut.

5.2.5 In *Assam*, the primary marketing societies were engaged in marketing paddy and mustard seed. They also did useful work in the procurement and distribution of paddy as agents of the apex marketing society during floods.

TABLE 5.2 — PRIMARY MARKETING SOCIETIES

Amounts in thousands of rupees

State	No. of societies	Membership	Working capital	Paid-up share capital: Total	Paid-up share capital: Govt.
1	2	3	4	5	6
Andhra Pradesh ..	150	1,27,199	**2,41,61**	**36,04**	3,43
Assam	50	5,196	**8,00**	**4,00**	3,20
Bihar	81	3,006	**13,64**	**6,13**	4,60
Bombay	206	69,986	**1,30,44**	**32,38**	1,40
Jammu & Kashmir ..	28	6,477	**19,86**	**4,09**	2,30
Kerala	60	13,663	**12,62**	**4,31**	1,30
Madhya Pradesh ..	108	32,052	**57,77**	**24,32**	15,77
Madras	105	1,50,374	**1,60,61**	**26,49**	3,52
Mysore	186	51,050	**1,15,34**	**30,05**	6,17
Orissa	48	9,490	**42,70**	**11,25**	6,95
Punjab	113	15,967	**45,34**	**25,69**	11,17
Rajasthan	2	132	—	—	—
Uttar Pradesh	502	14,334	**11,57**	**1,16**	—
West Bengal	222	39,365	**52,95**	**14,64**	4,45
Delhi	5	377	**2,66**	**60**	25
Pondicherry	3	218	**55**	**34**	—
Tripura..	30	2,403	**1,61**	**82**	25
Total	1,899	5,41,289	9,17,27	2,22,31	64,76

State	Reserve and other funds	Borrowings	Purchases	Sales: as owners	Sales: as agents	Commission earned
7	8	9	10	11	12	13
Andhra Pradesh ..	32,83	1,72,74	1,49,21	1,61,14	38,54	2,68
Assam	31	3,69	3,91	3,66	42	2
Bihar	36	7,15	12,51	4,62	10,22	40
Bombay	27,70	70,36	1,87,14	89,71	5,78,18	6,24
Jammu & Kashmir ..	5,92	9,85	37,75	38,65	4,01	2
Kerala	3,14	5,17	34,05	29,84	5,43	11
Madhya Pradesh ..	6,83	26,62	41,59	40,17	39,28	86
Madras	45,81	88,31	1,12,65	3,73	1,59,23	1,51
Mysore	20,24	65,05	1,83,29	1,46,50	1,19,83	1,35
Orissa	2,55	28,90	38,24	14,33	22,36	22
Punjab	2,44	17,21	1,99,27	29,88	1,49,27	2,22
Rajasthan	—	—		—	—	—
Uttar Pradesh	5,76	4,65	4,17	4,97	—	—
West Bengal	6,23	32,08	45,44	46,28	3,46	70
Delhi	5	2,01	4,30	1,14	2,17	6
Pondicherry	7	14	5,17	3,98	56	3
Tripura	—	79	2,70	2,60	—	—
Total	1,60,24	5,34,72	10,61,39	4,76,20	11,32,96	16,42

5.2.6 Co-operative marketing in *Bihar* was confined largely to cane growers' and vegetable growers' societies. Schemes have however been drawn up to set up 289 primary co-operative marketing societies under the Second Five Year Plan. The main commodity handled by the societies was food grains.

5.2.7 *Bombay* had 206 primary marketing societies in 1957–8. The societies handled a variety of crops such as cotton, oilseeds, chillies, jowar, vegetables, fruits, etc. There were 94 cotton sale societies in 1957–8 in the state. The cotton sale societies in Broach and Surat districts continued to make good progress and the cotton handled by them was valued at Rs 59 lakhs as owners and Rs 3,84 lakhs as agents during 1957–8. The primary marketing societies advanced loans to their members against pledge of goods to the extent of Rs 3,50 lakhs and recovered from them Rs 3,39 lakhs in 1957–8. Loans to the extent of Rs 1,16 lakhs were outstanding at the end of 1957–8. They supplied agricultural requisites totalling Rs 27 lakhs of which seeds and manures alone amounted to Rs 23 lakhs in 1957–8.

5.2.8 The primary marketing societies in *Jammu & Kashmir* were engaged in the supply of consumers' goods to the multipurpose societies for distribution, in channelling fertilizers through them to members and non-members and in marketing agricultural produce, other than paddy, on a commission basis. The scheme of integration of credit and marketing was also initiated in the state. In the case of crop loans for paddy, the members of multipurpose societies executed agreements undertaking to repay the loans in the form of paddy which was delivered to government depots. The government officers in charge of these depots received the paddy and made corresponding cash adjustment in favour of the multipurpose societies.

5.2.9 Most of the marketing societies in *Kerala* were organized for specific commodities such as cocoanut, arecanut, ginger, pepper, etc. The primary marketing societies mainly distributed food grains. But the total sales in food grains amounted to Rs 25 lakhs in 1957–8. They advanced loans to members aggregating Rs 7 lakhs and recovered Rs 6 lakhs in 1957–8.

5.2.10 The marketing societies in *Madhya Pradesh* did useful work in the distribution of seeds, manures, etc. to the extent of about Rs 45 lakhs during 1957–8. Loans advanced amounted to Rs 43 lakhs in 1957–8 as against Rs 44 lakhs in 1956–7. Food grains, cotton and oilseeds were the important crops which were handled by the societies. Rs 23 lakhs of food grains and Rs 13 lakhs of cotton were sold during 1957–8. They also distributed manures and fertilizers to members to the extent of Rs 41 lakhs and recovered loans from members amounting to Rs 53 lakhs in 1957–8.

5.2.11 In *Madras*, the primary marketing societies marketed paddy, cotton and groundnuts besides chillies, potatoes and onions. During 1957–8, they marketed produce of the value of Rs 1,63 lakhs and supplied agricultural requirements to their members of the value of Rs 1,49 lakhs. They distributed during 1957–8 chemical fertilizers and agricultural implements worth Rs 1,22 lakhs and Rs 7 lakhs respectively. The total quantity of onions and chillies exported accounted for 1,400 tons and 26 tons respectively and were valued at Rs 3 lakhs in 1957–8. In order to ameliorate the economic condition of the hill tribes, two marketing societies were organized in the Coimbatore district in 1957–8. These societies collected and sold minor forest produce worth Rs 61,000 and paid Rs 31,000 as wages to their members in 1957–8. The Nilgiris Marketing Society supplied agricultural requirements to members amounting to Rs 34 lakhs and sold produce worth Rs 25 lakhs. The main crop dealt in was potato.

5.2.12 The number of primary marketing societies in *Mysore* stood at 186 in 1957–8. Their working capital amounted to Rs 1,15 lakhs. These societies handled a variety of agricultural produce such as arecanut, cardamom, cotton, groundnut, cocoanut, copra, paddy, *ragi*, tamarind, chillies and jaggery. The purchases made by the societies amounted to Rs 1,83 lakhs and sales amounted to Rs 1,47 lakhs as owners and Rs 1,20 lakhs as agents during 1957–8. The loans advanced against the pledge of produce amounted to Rs 1,07 lakhs and they recovered Rs 1,03 lakhs from members. The societies have made significant progress. Special mention may be made of the Gadag Cotton Co-operative Sale Society which is one of the oldest societies, rendering useful service in marketing cotton. It sold cotton worth Rs 72 lakhs in 1957–8 and earned a commission of Rs 1 lakh. The society handled 62 per cent of the arrivals of cotton in the market. The primary societies also distributed manures and fertilizers of the value of Rs 1,13 lakhs in 1957–8.

5.2.13 Of the marketing societies in *Punjab*, the cotton development and marketing societies sold Rs 10 lakhs of cotton during 1957–8. These societies pooled and stored the produce of members and sold lint to the textile mills and traders.

5.2.14 In *Uttar Pradesh*, against the target of 150 marketing societies to be set up in the Second Five Year Plan 88 societies had been organized at the close of 1957–8 raising the total number of societies to 502. They sold food grains during 1957–8 of the value of Rs 2,70 lakhs. They also sold agricultural produce of their members mainly on commission. Most of the primary marketing societies were able to obtain cash credit limits from the local central co-operative banks against the pledge of members' produce. The total advances to the primary marketing societies by central co-operative banks during 1957–8 amounted to Rs 4 lakhs. The State Bank of India also came forward to help the marketing societies by providing loans at 5 per cent interest.

5.2.15 In *West Bengal*, the primary marketing societies mainly dealt in agricultural produce. They advanced marketing loans to members to the extent of Rs 5 lakhs during 1957–8.

5.2.16 Co-operative marketing was noticeable to some extent in *Himachal Pradesh, Delhi, Manipur, Pondicherry* and *Tripura*.

5.3 Central Marketing Societies

5.3.1 The main object of the central or district marketing societies is to co-ordinate and develop the activities of the primary marketing societies affiliated to them, particularly in the matter of export business and supply of agricultural requisites such as manures, agricultural implements, seeds, etc. There were 2,685 central marketing societies on 30 June 1958. The membership of the societies stood at 5·53 lakhs individuals and 49,846 societies on 30 June 1958. The paid-up share capital and the working capital aggregated Rs 2,41 lakhs and Rs 15,41 lakhs respectively as on 30 June 1958. Loans advanced to and recovered from their members by the central marketing societies amounted to Rs 7,70 lakhs and Rs 7,26 lakhs respectively during 1957–8. The societies made purchases of the value of Rs 18,94 lakhs. The sales effected by them during 1957–8 amounted to Rs 16,04 lakhs as owners and Rs 12,60 lakhs as agents. The details of sales during 1957-8 are indicated in the table on the next page.

TABLE 5.3 — SALES EFFECTED BY CENTRAL MARKETING SOCIETIES

Lakhs of rupees

Commodity	As Owners	As Agents
1	2	3
Food grains	2,22	1,87
Cotton	36	4,48
Oilseeds	9	1,25
Jaggery	18	1,37
Miscellaneous	13,19	3,63
Total	**16,04**	**12,60**

They earned a commission of Rs 62 lakhs. The agricultural requisites such as seeds, manures, fertilizers, etc. distributed by the societies to the members during 1957–8 were of the value of Rs 7,02 lakhs. One thousand eight hundred and fifty-eight societies made a net profit of Rs 1,20 lakhs in 1957–8.

5.3.2 The amount of government aid given to the central marketing societies for the construction of godowns, the cost of management, etc. came to Rs 32 lakhs as loans and Rs 11 lakhs as subsidies in 1957–8. The number of godowns owned by the central societies was 765 while 884 godowns were hired by them in 1957–8. The contributions made by the state governments to the share capital of the central marketing societies amounted to Rs 33 lakhs in 1957–8. The particulars relating to the central marketing societies in each state can be seen in table 5.4 on page 87.

5.3.3 Among the states where central marketing societies had developed were Bombay, Mysore and Uttar Pradesh. In many others, *viz.* Assam, Bihar, Madhya Pradesh, Orissa, West Bengal, Delhi and Pondicherry, there were no central societies. In a few states, the district marketing societies were appointed as stockists of iron and steel and were also given the monopoly of distributing fertilizers, etc. In *Bombay*, cotton, oil seeds and jaggery were the main commodities handled by the purchase and sale unions. The loans advanced by them against the pledge of produce amounted to Rs 1,83 lakhs and loans to the extent of Rs 1,57 lakhs were recovered from members in 1957–8. They supplied agricultural requisites valued at Rs 3,51 lakhs. In *Mysore*, the central societies dealt mainly in cotton, the value of cotton sold amounting to Rs 1,66 lakhs during 1957–8. Loans advanced to their members aggregated Rs 2,40 lakhs while Rs 2,34 lakhs were recovered from them in 1957–8. In *Uttar Pradesh*, the loans advanced by the societies amounted to Rs 3,02 lakhs. They recovered Rs 2,75 lakhs in 1957–8. The district marketing federations in *Madras*, with the exception of the Tanjore district, continued to function as stockists for chemical fertilizers. They issued 92,000 tons of manure for retail distribution. In *Punjab*, nearly 42,000 tons of fertilizers were distributed by the central societies and over 75,000 maunds of agricultural seeds were also supplied during 1957–8. In *Rajasthan*, the marketing unions distributed agricultural requisites including seeds for Rs 4 lakhs and advanced loans of Rs 20 lakhs in 1957–8.

TABLE 5.4 — CENTRAL MARKETING SOCIETIES

Amounts in thousands of rupees

State	No. of societies	Membership	Working capital	Paid-up share capital: Total	Paid-up share capital: Govt.
1	2	3	4	5	6
Andhra Pradesh ..	11	4,363	1,49,87	7,74	60
Bombay	292	1,36,736	3,30,07	75,95	14,73
Jammu & Kashmir ..	2	587	24,15	2,11	1,00
Kerala	2	8,039	28,75	4,61	25
Madras	2	1,253	9,47	1,38	—
Mysore	34	16,057	1,13,85	13,90	2,74
Punjab	3	73	3	3	—
Rajasthan	70	6,163	29,56	7,33	3,08
Uttar Pradesh	2,241	4,28,507	8,31,02	1,24,42	10,10
Himachal Pradesh ..	27	1,088	23,11	3,34	50
Tripura	1	34	1,22	11	—
Total	**2,685**	**6,02,900**	**15,41,10**	**2,40,92**	**33,00**

State	Reserve and other funds	Borrowings	Purchases	Sales: as owners	Sales: as agents	Commission earned
	7	8	9	10	11	12
Andhra Pradesh ..	36,20	1,05,93	2,88,78	2,63,92	43,89	79
Bombay	1,23,18	1,30,94	6,20,47	5,07,93	6,92,22	18,37
Jammu & Kashmir ..	84	21,20	39,52	40,02	3,14	8
Kerala	2,06	22,08	93,05	54,51	42,86	44
Madras	1,38	6,71	30,97	32,96	—	—
Mysore	28,89	71,06	1,08,76	80,25	3,42,48	5,92
Punjab	—	—	—	—	—	—
Rajasthan	3,91	18,32	25,59	14,94	34,00	3,13
Uttar Pradesh	1,77,96	5,28,64	6,61,04	5,83,91	1,00,95	32,96
Himachal Pradesh ..	6,19	13,58	18,15	17,18	—	—
Tripura	—	1,11	7,42	7,93	—	—
Total	**3,80,61**	**9,19,57**	**18,93,75**	**16,03,65**	**12,59,54**	**61,69**

5.4 State Marketing Societies

5.4.1 The number of state marketing societies stood at 13 as at the end of the period under review and their membership stood at 2,016 consisting of 1,758 societies and 258 individuals. The paid-up share capital of the state marketing societies stood at Rs 60 lakhs on 30 June 1958, of which the state governments' contributions were of the order of Rs 40 lakhs.

5.4.2 The state marketing societies had a working capital of Rs 4,42 lakhs on 30 June 1958. The total purchases made by the state marketing societies during 1957–8 were of the value of Rs 1,75 lakhs and the sales effected by them during the year amounted to Rs 4,85 lakhs (Rs 1,07 lakhs as owners and Rs 3,78 lakhs as agents). The societies earned a commission of Rs 11 lakhs in 1957–8. Loans and subsidies for the construction of godowns and the cost of management given to these societies by the governments amounted to Rs 13 lakhs and Rs 3 lakhs respectively during 1957–8. The number of godowns owned and hired by the state marketing societies were 11 and 9 respectively. The particulars relating to apex marketing societies state-wise are given in table 5.5 on page 89.

5.4.3 The area of operation of the Andhra Co-operative Marketing Federation was confined to the Andhra area. The services of a deputy registrar of co-operative societies were given to the society free of cost by the government to work as business manager. The rest of the state was served by the Hyderabad Agricultural Co-operative Association. The Assam Co-operative Apex Marketing Society acted as a central purchasing agency for agricultural as well as consumers' societies. It was given the monopoly of procuring paddy in the whole state by the government of Assam in 1957–8. It collected over ten and a half lakh maunds of paddy approximately worth a crore of rupees through marketing societies and other co-operatives. During the floods, this society did useful work in supplying food grains to consumers. The Bihar State Co-operative Marketing Union was doing mainly stores business. The Bihar State Co-operative Bank transferred its trading activities to the union on 1 July 1958. The union is now the sole distributor of fertilizers, sole stockist of text-books published by the government and sole dump holder of coal in north Bihar. The Madhya Pradesh State Co-operative Marketing Society was mainly doing the distribution of chemical fertilizers, sale of power engines, pumps, cement, iron and steel, etc. It was the sole agent for the distribution of fertilizers on behalf of the government. It distributed fertilizers worth Rs 98 lakhs to its members in 1957–8. The Mysore State Co-operative Marketing Society continued the work of monopoly distribution of coffee seeds to various co-operative institutions in the state and acted as stockists for cement, iron and other agricultural implements. Similarly, the Orissa government appointed the Orissa State Co-operative Marketing Society as the sole distributor of chemical fertilizers in the Orissa state. This society distributed 17,917 tons of fertilizers valued at Rs 70 lakhs in 1957–8. The Punjab Provincial Co-operative Federation undertook supply of essential commodities and consumer goods to the wholesale societies in the state for distribution through the network of affiliated societies to grower members. The Federation supplied 26,448 tons of fertilizers amounting to Rs 35 lakhs in 1957–8. Food grains worth Rs 5 lakhs were marketed by the Federation in 1957–8. In addition to marketing of sugar manufactured by the co-operative sugar mills in the state, exports of cotton, pulses, etc. amounting to Rs 5 lakhs were also undertaken by the Federation. The Uttar Pradesh Co-operative Marketing Federation did not deal in agricultural produce but mainly undertook the supply and distribution of fertilizers, cloth, seeds, agricultural implements, etc. through its affiliated district federations. It supplied seeds to its members of the value of Rs 4 lakhs.

TABLE 5.5 — STATE MARKETING SOCIETIES

Amounts in thousands of rupees

State	No. of societies	Membership	Working capital	Paid-up share capital: Total	Paid-up share capital: Govt.
1	2	3	4	5	6
Andhra Pradesh ..	2	808	34,86	5,83	70
Assam	1	57	3,25	3,23	3,00
Bihar	1	158	10,09	10,07	10,00
Madhya Pradesh ..	1	218	14,23	6,94	6,22
Mysore	1	260	3,40	1,65	1,43
Orissa	1	173	12,06	1,26	1,00
Punjab	1	53	3,99	85	—
Rajasthan	1	103	2,83	2,58	2,00
Uttar Pradesh	1	89	3,44,82	26,93	15,00
West Bengal	1	34	12	12	2
Himachal Pradesh ..	1	27	11,71	24	—
Manipur	1	36	55	55	53
Total	13	2,016	4,41,91	60,25	39,90

State	Reserve and other funds	Borrowings	Purchases	Sales: as owners	Sales: as agents	Commission earned
	7	8	9	10	11	12
Andhra Pradesh ..	4,78	24,25	—	19,91	8,80	8
Assam	—	2	14,37	10,24	—	2
Bihar	2	—	1,60	1,78	—	—
Madhya Pradesh ..	5,31	1,98	12,90	31,70	98,16	2,07
Mysore	88	87	17,00	18,00	38	4
Orissa	44	10,36	75,18	1,51	—	—
Punjab	75	2,39	9,84	9,93	—	39
Rajasthan	6	19	—	—	—	—
Uttar Pradesh	79,98	2,37,91	17,07	23,70	2,58,96	8,70
West Bengal	—	—	—	—	—	—
Himachal Pradesh ..	75	10,72	24,48	6,66	11,60	—
Manipur	—	—	2,58	1,65	—	—
Total	92,97	2,88,69	1,75,02	1,25,08	3,77,90	11,30

5.5 Storage Facilities Provided by Marketing Societies

The position in respect of godowns constructed and hired by marketing societies in the various states at the end of June 1958 is given in the following table:

TABLE 5.6—GODOWNS OWNED AND HIRED BY MARKETING SOCIETIES

Amounts in thousands of rupees

State	No. of godowns		Government aid	
	Owned	Hired	Loans	Subsidies
1	2	3	4	5
Andhra Pradesh	51	227	4,83	2,42
Assam	18	8	3,34	1,02
Bihar	18	30	5,15	1,99
Bombay	139	453	4,85	1,40
Jammu & Kashmir	9	31	—	—
Kerala	12	18	78	9
Madhya Pradesh	46	56	7,23	2,34
Madras	102	530	3,71	1,11
Mysore	87	231	8,48	2,02
Orissa	14	14	2,40	60
Punjab	100	229	1,65	90
Rajasthan	16	40	2,55	75
Uttar Pradesh	572	133	16,53	5,44
West Bengal	46	35	3,00	1,00
Delhi	1	5	15	5
Pondicherry	—	5	12	—
Tripura	1	3	—	12
Himachal Pradesh	6	28	—	—
Manipur	—	1	—	6
Total	1,238	2,077	64,77	21,31

5.6 Cane Growers' Societies

5.6.1 The cane growers' co-operative societies in the country continued to make progress during the period under review. At the end of June 1958, there were 189 central[1] and 7,469 primary cane growers' societies in the country with a membership of 21·58 lakhs and working capital of Rs 7,26 lakhs. The value of sugarcane marketed by them in 1957–8 was Rs 68 lakhs as owners and Rs 42,79 lakhs as agents. The commission earned on sales amounted to Rs 1,54 lakhs. The central and primary societies distributed agricultural requisites such as seeds, manures, fertilizers, etc. to the tune of Rs 5,62 lakhs. They advanced loans to the members aggregating Rs 4,62 lakhs and recovered Rs 3,94 lakhs. The profit made by the primary societies and unions amounted to Rs 73 lakhs.

[1] Includes one apex society in Uttar Pradesh.

5.6.2 The cane growers' co-operative societies were given financial assistance by the government to the tune of Rs 0·73 lakh as loans and Rs 15·14 lakhs as subsidies during 1957–8. A special reference might be made to the activities of cane growers' co-operative societies in Bihar and Uttar Pradesh.

5.6.3 In *Bihar* there were 7,413 primary sugarcane supply societies with a membership of 3·17 lakhs at the end of June 1958, as against 7,760 with 3·10 lakhs members on 30 June 1956. The paid-up share capital stood at Rs 14 lakhs both at the end of 1957–8 and 1955–6. The societies advanced loans to members to the extent of Rs 41 lakhs during 1957–8 for the purchase of improved variety of seed canes and manures and recovered Rs 34 lakhs. The value of cane marketed by the societies amounted to Rs 5 lakhs as owners and Rs 4,41 lakhs as agents in 1957–8 as against Rs 7 lakhs (as owners), Rs 4 lakhs (as agents) of cane sold in 1955–6. They earned a commission of Rs 15 lakhs in 1957–8. Rs 27 lakhs worth of agricultural requisites were supplied to members in 1957–8. Five thousand eight hundred and sixteen societies earned a profit of Rs 5 lakhs in 1957–8, while 819 societies sustained loss of Rs 32,000. A sum of Rs 0·27 lakh was given by the government as loan in 1957–8. Almost all the societies opened savings bank accounts with the co-operative development and cane marketing union to which they were affiliated. About 670 societies opened savings bank accounts with post offices and such investment amounted to Rs 4 lakhs at the end of the period under review.

5.6.4 Besides, in *Bihar*, there were 71 co-operative development and cane marketing unions which were federations of the primary cane supply societies on 30 June 1958. The data available are in respect of 65 unions only. Their membership and paid-up share capital stood at 7,478 and Rs 5 lakhs respectively on 30 June 1958. The investments made by the unions amounted to about Rs 24 lakhs on 30 June 1958. Thirty-four unions had their own buildings. The quantity of cane marketed through the cane unions was valued at Rs 4,18 lakhs as owners and Rs 5 lakhs as agents in 1957–8. The unions supplied to member societies agricultural requisites such as seeds, manures and fertilizers, etc. to the extent of Rs 31 lakhs in 1957–8. Loans advanced to member societies amounted to Rs 45 lakhs while the amount recovered stood at Rs 39 lakhs in 1957–8. Forty-seven unions made a profit of Rs 2·17 lakhs and 15 suffered a loss of Rs 0·26 lakh at the end of the period 1957–8. A fund known as the 'Cane Development Fund' was created out of 50 per cent of the commission earned by the cane growers' co-operative societies on the cane supplied by them to the sugar factories.

5.6.5 Uttar Pradesh is another state where co-operative marketing of cane has developed. The success of the sugarcane unions in this state has been made possible by a legislative framework of compulsion according to which sugar factories have to purchase cane through unions only. There were 120 cane unions[1] with a membership of 17·70 lakhs individuals and 1,647 societies on 30 June 1958 as against 115 unions with 15·6 lakhs members on 30 June 1956. The unions covered about 36,000 villages growing about 19·09 lakhs acres of sugarcane. They supplied 96 per cent of the total cane to the sugar factories in the state. Their owned funds and working capital amounted to Rs 3,50 lakhs and Rs 5,11 lakhs on 30 June 1958 as compared to Rs 2,69 lakhs and Rs 3,85 lakhs respectively on 30 June 1956. During the year 1957–8, the unions supplied to the factories cane valued at Rs 32,82 lakhs as against Rs 33,80 lakhs in 1955–6. They earned a commission of Rs 1,19 lakhs during 1957–8. Besides, they distributed to the cane growers agricultural requisites such as seeds, manures and fertilizers, etc. valued at Rs 4,97 lakhs

[1] Includes the Uttar Pradesh Cane Unions' Federation.

in 1957–8. Loans advanced and recovered from members stood at Rs 3,60 lakhs and Rs 3,12 lakhs in 1957–8. At the end of 1957–8, 108 unions, made a profit of Rs 65 lakhs and 7 suffered a loss of Rs 8 lakhs. They received Rs 15,lakhs as subsidies from the state government in 1957–8.

5.6.6 The U.P. Cane Unions' Federation was established in 1949 as an apex body with a view to co-ordinating and supervising the activities of the cane unions. The federation had 119 cane unions as members on 30 June 1958. It had a share capital of Rs 0·34 lakh while its reserves and other funds amounted to Rs 19 lakhs on 30 June 1958. It received financial accommodation from the cane commissioner to the extent of Rs 15 lakhs made available by government during 1957–8. Its working capital stood at Rs 43 lakhs. The dues outstanding to government towards the cost of fertilizers supplied by government aggregated Rs 1,29 lakhs on 30 June 1958. The federation issued Rs 5 lakhs as loans to the cane unions and recovered Rs 7 lakhs in 1957–8. It purchased and sold fertilizers, etc. of the value of Rs 2,06 lakhs during the year. It earned a commission and a net profit of Rs 2 lakhs and Rs 5 lakhs respectively in 1957–8.

5.6.7 In *Uttar Pradesh*, the cane unions and societies were under the administrative control of the cane commissioner. The Government of Uttar Pradesh have however, decided to transfer the cane unions and societies to the administrative control of the registrar of co-operative societies.

5.7 Pooling and Grading

5.7.1 Pooling, grading and standardization of agricultural commodities are of great importance in agricultural marketing. However, only a few marketing societies undertook the work relating to the pooling and grading of members' produce during the period under review.

5.7.2 In *Orissa*, the Tikkabali Co-operative Marketing Society in the district of Phulbani — an aboriginal area — pooled and graded turmeric. The coconut marketing society in the Puri district and the oil-seeds marketing society in Koraput district took up grading. The jute marketing societies at Danpet in Cuttack district also provided facilities for grading and baling of jute. In *Mysore*, it is reported that some of the commodity societies such as the arecanut marketing societies, the cardamom marketing societies, and the copra and coconut marketing societies were doing satisfactory work in the direction of grading and pooling. In *Andhra Pradesh*, a scheme to pool, grade, re-dry and market virginia tobacco was implemented during 1957–8 through the tobacco growers' co-operative societies. In *Bombay*, the cotton sale societies undertook grading and pooling under the 'Agmark' scheme. They claimed to have captured a major portion of arrivals in their respective markets. Cotton sale societies pooled 2,96,520 maunds of cotton valued at Rs 59 lakhs in Baroda and 32,171 *bharas* of cotton valued at Rs 1,61 lakhs in Broach in 1957–8.

5.8 Processing

5.8.1 Processing is closely allied to marketing. Except for processing of cotton and groundnut in Bombay, sugarcane in Uttar Pradesh and paddy in West Bengal, there were no processing activities on a co-operative basis in the past. However, under the Second Five Year Plan, there has been some development in this sphere, particularly with regard to the organization of co-operative sugar factories. There were 554 societies excluding co-operative sugar factories engaged in processing activities such as cotton ginning and pressing, groundnut decorticating, coffee-curing, paddy-hulling, etc. The membership of these societies stood at 28,335 at the end of June 1958. Their paid-up

share capital amounted to Rs 19 lakhs on 30 June 1958. The fixed assets in the form of land and machinery, etc., owned by the societies were of the value of Rs 22 lakhs. The sales effected by the processing societies during 1957–8 aggregated Rs 88 lakhs. The position with regard to co-operative processing in the various states is summarized below:

5.8.2 In *Ándhra Pradesh*, only a few marketing societies have taken up processing activity. During 1956–7, 2 marketing societies undertook processing of paddy and groundnuts. The value of paddy processed and groundnuts decorticated amounted to Rs 20 lakhs and Rs 2 lakhs respectively. During 1957–8, one more marketing society ginned cotton of the value of Rs 1 lakh. Another marketing society decorticated groundnuts of the value of Rs 66 lakhs. There were three co-operative societies for tobacco growers, one of which at Guntur did useful work in processing tobacco for the benefit of tobacco growers.

5.8.3 Sugarcane is one of the most important commercial crops grown in *Andhra Pradesh.* Licences were granted to form co-operative sugar factories at Chodavaram, Amadalavalasa, Chittoor and Palakole. Of these, the first two factories are expected to function by 1960–1 while the latter is expected to go into production by 1961–2. The Etikoppaka Co-operative Agricultural and Industrial Society established in April 1933, continued to make satisfactory progress during the period under review. It had a membership of 1,779 and a paid-up share capital of Rs 12 lakhs on 30 June 1958. During 1957–8, an amount of Rs 6 lakhs was issued as loan to its members. It produced 7,133 tons of sugar during 1957–8. The society earned a net profit of Rs 1·30 lakhs in 1957–8. The crushing capacity of the factory is 600 tons per day. It has obtained a licence from the Government of India to expand the crushing capacity to 1,000 tons per day. The Chodavaram Co-operative Agricultural and Industrial Society was registered in 1955. It had a membership of 4,105 comprising cane growers and also others and had a paid-up share capital of Rs 23 lakhs as on 30 June 1958. A site measuring 41 acres was selected for erecting the sugar factory. There were 20 other types of processing societies as on 30 June 1958 in the state.

5.8.4 In *Assam*, there were separate societies for processing, *e.g.*, paddy husking, cotton ginning, jute baling and sugar mills. The Assam Co-operative Sugar Mill was registered in March 1955 with a crushing capacity of 800 – 1,000 tons. The mill started crushing sugarcane in December 1958. The sugarcane was supplied by 19 co-operative sugarcane farming societies situated around the mill. Another sugar mill namely, the Central Assam Co-operative Sugar Mill in Nowgong district was registered in January 1957. It collected Rs 23,760 as share capital by the end of June 1958. There were 2 cotton ginning and pressing societies. They pressed 1,430 maunds of cotton of the value of Rs 1 lakh in 1957–8. Government gave a sum of Rs 2·15 lakhs as loans and Rs 2·03 lakhs as subsidy in 1957–8 to these societies. There were 48 other processing societies of which 47 were for paddy husking and one for jute baling with a membership of 1,487 on 30 June 1958. The total value of sales of these societies was Rs 3 lakhs.

5.8.5 In *Bihar*, there were 397 oilmen's co-operative societies with a membership of 7,826 on 30 June 1958. They produced 22,403 maunds and sold 21,817 maunds of oil during the year 1958. One sugar factory was organized in Purnea district in 1957–8.

5.8.6 In *Bombay*, there were 52 cotton ginning and pressing societies in 1957–8 as against 47 societies in 1956–7. They had 29,531 members as compared to 25,426 members in 1956–7. Their paid-up share capital stood at Rs 36 lakhs on 30 June 1958 as against Rs 26 lakhs in 1956–7. The stock held by the societies was of the value of

Rs 8 lakhs and loans outstanding amounted to Rs 47 lakhs. The total quantity of raw cotton ginned was 14·34 lakh cwts. The societies pressed 1·05 lakh bales of cotton in 1957–8. The sales effected were valued at Rs 1,89 lakhs in that year. Besides, some of the cotton sale societies ginned 0·99 lakh cwts. and pressed 32,788 bales of cotton in 1957–8.

5.8.7 The total number of sugar factories registered in *Bombay* stood at 18 on 30 June 1958. Of these, 9 were functioning on 30 June 1958 as against 4 on 30 June 1957. The nine factories had a membership of 9,235 and a paid-up share capital of Rs 2,65 lakhs; 11,37,093 bags of sugar were produced during the 1957–8 season by 9 factories. The nine factories were situated at Pravaranagar, Kopergaon, Bhavaninagar, Rahuri, Phaltan, Malegaon, Karegaon, Rahata and Bardoli. The details of the working of the nine factories during 1957–8 are given below:

TABLE 5.7 — CO-OPERATIVE SUGAR FACTORIES IN BOMBAY

Amounts in lakhs of rupees

Item	No. of members	Acreage	SHARE CAPITAL Members	SHARE CAPITAL Government	Crushing capacity per day (tons)	Sugarcane crushed (tons) (during the 1957-8 season)	Sugar bags produced (during the 1957-8 season)	Price paid to members (Rs per ton ex-field)	Net profit (+) or loss (−)
1	2	3	4	5	6	7	8	9	10
Bhavaninagar ..	590	1,623	11·53	10·00	450	96,770	1,10,000	52·00	+3.51
Bardoli ..	1,419	1,717	19·46	10·00	800	43,415	39,945	30·00	+0·10
Phaltan ..	943	2,561	17·00	10·00	800	1,01,934	1,20,923	45·00	+2·05
Rahuri ..	1,247	3,193	22·54	10·00	1,000	1,25,594	1,27,049	39·00	−0·09
Rahata ..	1,146	2,919	21·02	10·00	1,000	1,06,442	1,07,565	38·00	−0·49
Karegaon ..	602	2,268	20·20	10·00	1,000	96,406	91,646	38·00	−1·22
Malegaon	1,160	2,690	19·60	10·00	1,000	1,02,953	1,17,962	42·00	+1·19
Pravaranagar ..	1,245	3,872	22·52	10·00	1,200	2,08,091	2,20,702	46·86	+4·32
Kopergaon	883	3,889	20·64	10·00	800	1,77,101	2,01,301	45·25	+4·59

Source: An article in Co-operative Bombay 1959.

There were 5 other types of processing societies with a total membership of 1,061 on 30 June 1958 in the state.

5.8.8 The North Malabar District Co-operative Supply and Marketing Society, Kozhikode, in *Kerala* owned a coffee-curing works at Kalpatta. The Nilambur Co-operative Marketing Society owned a rice mill and was engaged in hulling paddy. The Kumaranalloor Co-operative Marketing Society was engaged in the processing and marketing of arecanuts. During the year under review, the society purchased raw arecanuts of the value of Rs 1·42 lakhs and sold cured nuts amounting to Rs 1·78 lakhs.

5.8.9 In *Madhya Pradesh*, three societies undertook processing work, besides marketing of agricultural produce. These societies were engaged mainly in the processing of paddy. The total quantity of paddy husked in 1957–8 was 4,089 tons valued at Rs 12 lakhs. There were 6 other processing societies besides 2 cotton ginning and pressing societies in 1957–8. The total sales of the 6 societies aggregated Rs 40 lakhs; the 2 cotton ginning societies pressed 1,950 bales of cotton in 1957–8.

5.8.10 In *Madras*, ten co-operative marketing societies undertook processing activities in 1957–8 with regard to cotton, groundnut, coffee and paddy. There were no co-operative societies for processing alone. The processing units were adjuncts to the marketing societies. The 10 societies had 33,965 members, mostly agriculturists, in 1957–8. They processed cotton of the value of Rs 10 lakhs, groundnuts of Rs 3 lakhs and paddy of Rs 2 lakhs. The Pattiveerampatti Coffee Curing Industrial Co-operative Society did business in curing coffee of the value of Rs 15 lakhs; the total processing charges collected during the year by that society amounted to Rs 36,000. Three co-operative sugar factories were established at Madurantakam in Chingleput district, Ambur in North Arcot district and Udumalpet in Coimbatore district. The membership of these mills on 30 June 1958 was 2,682 with a paid-up share capital of Rs 72 lakhs of which Rs 35 lakhs were contributed by the state government at Rs 10 lakhs each to the factories at Udumalpet and Ambur and Rs 15 lakhs to the Madurantakam factory. The factories at Ambur and Udumalpet purchased sites and the Madurantakam factory applied for the acquisition of lands for the establishment of the factory. All the three mills placed orders for the purchase of machinery. It was reported that a major portion of the machinery had arrived and that all the 3 mills were expected to go into production during November 1959.

5.8.11 The Cotton Ginning, Pressing, and Marketing Society at Arsikere in *Mysore* installed a cotton ginning and processing machine in 1957–8. The society had a membership of 1,019 and a paid-up share capital of Rs 30,311. Government had contributed a sum of Rs 1 lakh to its share capital. It collected 11,311 maunds of cotton *kapas* for processing. Some cotton sale societies, mainly the Gadag Cotton Sale Society and the Annigere Cotton Sale and Processing Society installed machinery for processing cotton in addition to their marketing activities. There were no societies exclusively for processing. There were four co-operative sugar factories in the state, one each at Kampli, Pandavapura, Gangavathi and Sankeshwar. The Kampli Sugar Factory which was erected in 1954, worked for a few days in the year 1957–8 on an experimental basis, and crushed 7,700 tons of sugarcane and produced 478 tons of sugar. It had 812 producer members and 1,604 non-producer members, and a share capital of Rs 26 lakhs of which Rs 15 lakhs were contributed by the government. The Pandavapura Co-operative Sugar Factory was in the construction stage in 1957–8. It had 4,205 members and share capital of Rs 22 lakhs, of which Rs 15 lakhs represented the state government's contribution. There were 12 other societies engaged mainly in processing of other goods, having 1,310 members and paid-up share capital of Rs 3 lakhs on 30 June 1958. They sold Rs 1·22 lakhs worth of goods in 1957–8.

5.8.12 In *Orissa*, two co-operative sugar factories were organized in 1957–8 at Aska in Ganjam district and at Baragar in Sambalpur district. Their membership and share capital stood at 4,926 and Rs 16 lakhs respectively. Due to shortage of foreign exchange, it was not possible for them to purchase the machinery needed.

5.8.13 As on 30 June 1958, there were 11 cotton ginning mills in the *Punjab* which ginned and marketed cotton. The quantity of *kapas* ginned and pressed amounted to

2·46 lakh maunds and 2·41 lakh maunds respectively during 1957–8. The value of stock sold was Rs 75 lakhs as against Rs 25 lakhs in 1956–7. There were 17 other processing co-operative societies of which 2 were rice-mills and 3 oil mills. The rice-mills had a membership of 241 and working capital of Rs 1 lakh. They sold stock of the value of Rs 5 lakhs. The oil mills had a membership of 1,941 and working capital of Rs 3 lakhs. The value of stock sold by these societies amounted to Rs 6 lakhs. The other processing societies had a membership of 886 and working capital of Rs 7 lakhs. The principal goods handled by these societies were wheat, gram, paddy, cotton, *gur*, pulses and oil seeds. Their sales amounted to Rs 2 lakhs.

5.8.14 There were 8 sugar factories in the *Punjab* on 30 June 1958 with a total membership of 55,945, owned funds of Rs 2,28 lakhs and working capital of Rs 4,47 lakhs. Out of the 8 factories, 3 had gone into operation. They crushed 81·50 lakh maunds of sugarcane and sold sugar valued at Rs 1,49 lakhs.

5.8.15 In *Uttar Pradesh* there were 3 co-operative marketing societies which were engaged in the processing of agricultural produce — two in paddy hulling and the other in groundnut decorticating. A groundnut marketing and processing society was organized at Madhoganj in Hardoi district in 1957–8. There were 5 other types of processing societies in the state with a membership of 3,967 on 30 June 1958. Besides, there were 4 co-operative sugar factories at Ghosi in Azamgarh district, Bilaspur in Pilibhit district, Budhana in Muzaffarnagar district and Deokali in Ghazipur district as on 30 June 1958. These factories had a total membership of 2,139 and paid-up share capital of Rs 3 lakhs. They produced 6,572 maunds of sugar during 1957–8.

5.8.16 In *West Bengal*, two marketing societies undertook processing of paddy into rice in 1957–8. Besides, 146 societies undertook processing as their sole function; they had a membership of 4,917 and working capital of Rs 13 lakhs. They were engaged in paddy hulling, oil crushing, *gur* making, fruit canning, etc. and sold processed goods to the tune of Rs 4 lakhs. A co-operative sugar factory was registered in 1957–8.

5.9 Linking of Credit with Marketing

5.9.1 The establishment of a close link between co-operative credit and co-operative marketing is a vital aspect of the integrated scheme of rural credit. While progress in this direction has been insignificant, we may refer to some instances where attempts were made, with some success. In *Madras*, the 'controlled credit' scheme was developed fairly well in Salem, Coimbatore and Nilgiris districts. During the year ended June 1958, 1,087 small-sized agricultural credit societies and agricultural banks were linked to the marketing societies. They provided cultivation loans to the extent of Rs 1,11 lakhs in respect of crops such as cotton, groundnut, turmeric, potatoes, etc. and brought produce worth Rs 1,15 lakhs to the marketing societies for sale. The recoveries effected by the marketing societies of the loans issued by the credit societies amounted to Rs 17 lakhs only during 1957–8. For intensive work in the linking of credit and marketing, 74 out of the 110 Community Development Blocks in the state were selected in 1957–8.

5.9.2 In *Andhra Pradesh*, co-ordination of activities among the co-operative credit and marketing societies were not effective except in a few pilot project areas in Visakhapatnam and West Godavari districts. The progress made in respect of the Anakapalle Co-operative Marketing Society in the Visakhapatnam Project area has been indicated in para. 5.2.4.

5.9.3 In *Bombay*, integration between credit and marketing has been achieved in a large measure in the Broach district where out of a total production of 1·47 lakhs bales of cotton in the district, co-operatives marketed 57,000 bales or about 40 per cent in 1957–8. Loans were given to members on condition that their marketable produce would be sold through the co-operatives. The total amount of crop loans made available by the central financing agency through large and small primary credit societies was Rs 62 lakhs before the commencement of the project; it had increased to Rs 88 lakhs in 1956–7. The marketing finance provided by the central banks also increased considerably. At the end of 1956–7, Rs 1,23 lakhs and Rs 1,24 lakhs were given by the central banks for agricultural operations and marketing of crops respectively.

5.9.4 In several other states, attempts were being made to link credit with marketing, but the results achieved were not significant. This tardy pace of the linking of credit with marketing does not augur well for the integrated scheme of rural credit. Concerted efforts should be made to develop co-operative marketing societies and link effectively their operations with the working of co-operative credit societies.

5.10 State Aid to Marketing Societies under the Second Five Year Plan

5.10.1 One of the central recommendations of the Rural Credit Survey Committee was that the government should extend its helping hand to co-operatives to enable them to withstand the opposition of the moneylenders and traders and compete with them on equal terms by entering into partnership with co-operative credit societies, marketing societies, processing societies, etc. at all levels. The assistance from the Government of India is given to these institutions through the National Co-operative Development and Warehousing Board. The principles governing central assistance to the state governments with regard to co-operative marketing and processing societies are indicated below:

5.10.2 Share capital contribution—The National Co-operative Development and Warehousing Board assists the state governments to contribute to the share capital of co-operative marketing societies and processing co-operatives other than sugar factories by a loan to the extent necessary having regard to their ways and means position. The quantum of aid in this regard is usually 75 per cent of the total contribution made by the state. The balance of 25 per cent is met by the state government from its own resources. The loans from the Board are repayable in fifteen annual equated instalments and carry interest at the rates prescribed by the Central Government from time to time. The state contribution in the share capital of a marketing society is of the order of Rs 20,000 to Rs 25,000.

5.10.3 To encourage the sugarcane growers to collect at least a part of the capital required for establishing co-operative sugar factories, the Board advances loans to the state governments to enable them to participate in the share capital of co-operative sugar factories. The aid from the Board does not exceed Rs 20 lakhs to each sugar factory. No matching contribution from the state government's resources is insisted upon in this case, but the assistance is subject to the condition that the promoters contribute an equal amount. The state governments, however, may pay out of their own resources a sum up to Rs 20 lakhs without matching contribution and claim reimbursement subsequently when the members' matching contribution has been collected. The loans are repayable in fifteen annual equated instalments and bear interest at rates determined by the Central Government from time to time.

5.10.4 Additional managerial staff — The cost of additional managerial staff for marketing and processing societies is subsidized by the Board and the state governments for a period not exceeding three years in the manner indicated below:—

	Board	State governments
First Year	50 %	50 %
Second Year	$33\frac{1}{3}$%	$33\frac{1}{3}$%
Third Year	$16\frac{2}{3}$%	$16\frac{2}{3}$%

5.10.5 Godowns of marketing societies — To provide storage facilities for marketing societies at their headquarters and for collecting the surplus produce of the members of village co-operatives on behalf of marketing societies as well as for supplying production requisites such as fertilizers, seeds, etc. at suitable centres in rural areas, the Board gives to the state governments loans and subsidies up to $62\frac{1}{2}$ per cent and up to $12\frac{1}{2}$ per cent respectively of the total cost of the construction or purchase of godowns. In the case of godowns of district and apex marketing societies, larger assistance is offered.

5.10.6 Primary marketing societies will also be entitled to get a subsidy not exceeding Rs 1,250 and the apex marketing societies to a subsidy not exceeding Rs 10,000 or 5 per cent of the estimated cost of construction of godowns whichever is less, for renting godowns for a temporary period, on the following terms: (*a*) the Board's share is limited to 50 per cent, the remaining 50 per cent being borne by the state government; (*b*) the payment of subsidy is confined to a period ending 31 March 1961 only or till the actual construction of the godown whichever is earlier; (*c*) the subsidy is payable only to societies for which the plan provision for the construction of godowns had been made, it being understood that the societies concerned will, within the period ending 31 March 1961, build their own godowns.

5.10.7 The rate of interest charged by the Central Government on the loans was $4\frac{1}{4}$ per cent per annum during the years under review. The total loans granted by the Board to the state governments for contribution to the share capital of marketing societies and processing societies amounted to Rs 45·25 lakhs and Rs 5·52 lakhs respectively in 1956–7 as against Rs 71·42 lakhs and Rs 18·20 lakhs in 1957–8. The co-operative sugar factories received Rs 86·10 lakhs and Rs 22·50 lakhs as share capital from the state governments out of loans obtained from the Board in 1956–7 and 1957–8 respectively.

5.10.8 An amount of Rs 2·01 lakhs was sanctioned by the Board as subsidy to meet the cost of management of co-operative marketing societies in 1956–7 while the amount sanctioned in 1957–8 for this purpose was Rs 5·12 lakhs. Besides, the Board also sanctioned loans and subsidies amounting to Rs 24·24 lakhs and Rs 5·12 lakhs respectively for the construction of godowns of the marketing societies in 1956–7; the loans and subsidies for this purpose aggregated Rs 48·28 lakhs and Rs 11·19 lakhs respectively in 1957–8.

5.11 Regulated Markets

5.11.1 The object of establishing regulated markets is mainly to make marketing of agricultural goods more orderly and efficient and prevent unfair market practices. At present, statutory regulation of markets is in force in the states of Andhra Pradesh, Bombay, Mysore, Madras, Madhya Pradesh, Punjab, Kerala and Orissa. Of the 1,800 principal markets spread throughout the country, there were 549 regulated markets as on 31 March 1958, as indicated below, as against 520 in the previous year and 265 at the commencement of the First Five Year Plan, in 1950:

State	*No. of regulated markets as on 31 March 1958*
Andhra Pradesh	79
Bombay	193
Kerala	2
Madhya Pradesh	78
Madras	22
Mysore	57
Orissa	3
Punjab	115
Total	**549**

5.11.2 In *Andhra Pradesh*, no special privileges are enjoyed by the co-operatives in the market committees except that one of the members to be nominated by the government to the committee is a representative of co-operative marketing societies. In *Madras*, the co-operative marketing societies are exempted from taking licence from the market committee for dealing in the notified crops. In order to bring about co-ordination of activities between the co-operative marketing societies and the market committee, government have approved a scheme for licensing godowns by market committees to the marketing societies in the market yards and provision of facilities within the yard to supply manure and implements to members. Such co-ordination has been given effect to only in the Coimbatore district; the Coimbatore Market Committee has leased out godowns in the Tirupur market yard to the Tirupur Sale Society. In *Madhya Pradesh*, in the Mahakoshal region, the regulated markets were managed by co-operative societies.

5.12 Role of the State Bank of India in Financing Co-operative Marketing and Processing

The State Bank of India has undertaken financing of co-operative marketing societies and processing societies particularly in areas where there is little or no near prospect of the district co-operative banks (or other central financing agencies) being able to provide prompt and adequate finance at reasonable rate of interest to co-operative marketing societies. During the calendar year 1957–8, credit limits of Rs 37·3 lakhs to 43 marketing co-operatives were sanctioned by the Bank. In addition, 7 co-operative sugar factories availed themselves of credit facilities from the Bank, aggregating Rs 2·5 crores. The Bank also established letters of credit for Rs 3·2 crores on behalf of 15 co-operative sugar factories for import of machinery and gave the requisite deferred payments guarantees for Rs 4 crores, on behalf of 13 factories.

5.13 Conclusion

The account given above shows that co-operative marketing had not well developed in the country. The integrated scheme of rural credit which envisages a close link between co-operative credit and marketing had not even made a beginning in most states. Co-operative processing too was poorly developed. The programme for the construction of godowns by marketing societies had also lagged behind. The most ambitious development has been with regard to co-operative sugar factories. Here again, except for a few of the old established factories, the others have yet to stabilize themselves. Without a sound structure of co-operative marketing and processing, the pace for expanding co-operative credit will sustain a set-back because the recoveries of the loans given by agricultural credit societies for agricultural operations have to be effected by the marketing and processing societies.

6. OTHER FORMS OF CO-OPERATION

6.1 Broad Classification

The progress made by co-operatives under the three broad categories of credit, production and marketing has been reviewed in the earlier chapters. In this chapter, we shall consider the position in regard to co-operative activity in other sectors, *viz.* (*i*) co-operative consumers' stores, (*ii*) co-operative housing, (*iii*) co-operation and labour, (*iv*) co-operation and women, (*v*) co-operation and displaced persons, (*vi*) co-operation and ex-servicemen, (*vii*) co-operation and social services, (*viii*) co-operation and prohibition and (*ix*) co-operative insurance.

6.2 CONSUMERS' STORES

6.2.1 The downward trend noticed in respect of the number of consumers' stores in India since 1951–2 consequent on the withdrawal of rationing and controls on food grains and other essential commodities continued during the period under review. The decline in the number of consumers' stores was due to the liquidation every year of several stores which had either become dormant or were incurring losses owing to competition from private traders. Along with the liquidation of stores which had no chances of survival, efforts were also made by some state governments such as Madras to tone up the working of the stores that remained by continuing to extend special concessions and facilities to them. Thus the policy in regard to consumers' stores during the period under review continued to be one of rectification and consolidation rather than of expansion.

6.2.2 Data relating to the operations of consumers' and wholesale stores during the three years ended June 30, 1958, are given in table 6.1 on page 101.

6.2.3 It will be observed that the number of consumers' stores declined by 1,084 or about 15 per cent during the period under review. Out of the 6,275 stores which were in existence at the close of 1957–8 as many as 3,366 stores or 54 per cent were concentrated in Bombay, Assam, West Bengal and Madras, with Bombay alone accounting for 1,235 stores or 20 per cent of the total number of stores. At the end of June 1958 the aggregate membership of the stores stood at 13·33 lakhs with Bombay, Assam, Madras and Uttar Pradesh together accounting for 66 per cent of the total. Despite the fall in the number of stores, their aggregate sales rose appreciably from Rs 14,48 lakhs in 1955–6 to Rs 20,98 lakhs in 1956–7 and again to Rs 22,64 lakhs in 1957–8. The increase in sales was marked in the case of Andhra Pradesh, Bombay and West Bengal. In these three states the rise in the sales of consumers' stores offset the decline in other states, *e.g.* Madras, Bihar, Jammu & Kashmir, Kerala, Madhya Pradesh, Punjab, Uttar Pradesh and Delhi. In the case of Madras the total sales of consumers' stores which increased from Rs 6,56 lakhs in 1955–6 to Rs 8,04 lakhs in 1956–7 declined to Rs 6,96 lakhs in 1957–8. Despite the set-back in the sales during 1957–8, consumers' stores in Madras had considerably larger sales than those in other states. To an appreciable extent this was due to the sale of food grains and groceries, which accounted for over 64 per cent of the total sales during each of the two years under review, and also to certain special concessions granted to consumers' stores by the Government of Madras. For example, the stores were exempted from the payment of supervision fees and those which were affiliated to district supply and marketing societies were exempted from the levy of sales tax on their purchases made

from the latter. The state government authorised consumers' stores to supply foodstuffs to jails, borstal and certified schools and religious institutions, with a margin of 5 per cent over the cost price. The value of goods thus supplied in 1957–8 amounted to Rs 15 lakhs as against Rs 9 lakhs in 1956–7. Similar concessions were granted to consumers' stores in Andhra also. The value of goods supplied by the stores in that state to hospitals, jails, certified schools, educational institutions and temples amounted to Rs 18 lakhs in 1957–8 as against Rs 16 lakhs in the preceding year.

TABLE 6.1 — OPERATIONS OF CONSUMERS' STORES

Amounts in lakhs of rupees

Item	1955–6	1956–7	1957–8
1	2	3	4
Consumers' stores			
Number of stores	7,359	6,578	6,275[1]
Membership (in thousands)	14,14	11,16	13,33
Share capital and reserves	4,90	5,10	4,69
Purchases	13,68	20,26	21,80
Sales	14,48	20,98	22,64
Profit	29	40	41
Loss	30	46	40
Wholesale stores			
Number of stores	74	76	76
Membership (in thousands)	23	25	24
Share capital and reserves	1,64	1,09	1,06
Purchases	3,73	5,35	5,88
Sales	4,19	5,74	6,00
Profit	6	9	7
Loss	12	10	10

[1] Including 270 new and non-functioning stores in Assam and excluding 83 stores in Manipur for which data were not available.

6.2.4 The aggregate profits of the consumers' stores which worked at a profit rose from Rs 29 lakhs in 1955–6 to Rs 40 lakhs in 1956–7 and Rs 41 lakhs in 1957–8. On the other hand, the position in regard to the stores that worked at a loss worsened further as the losses incurred by them during 1956–7 and 1957–8 aggregated Rs 46 lakhs and Rs 40 lakhs respectively as against Rs 30 lakhs in 1955–6. Madras alone accounted for 52 per cent of the aggregate losses in 1956–7 and 45 per cent of the losses in 1957–8.

6.2.5 At the close of the year 1957–8 there were 76 wholesale stores with an aggregate membership of 23,511. Most of these were concentrated in Madras, Punjab, Jammu and Kashmir, West Bengal, Uttar Pradesh, Assam and Bombay. There were no such organizations in Bihar, Madhya Pradesh, Mysore, Orissa, Rajasthan, Himachal Pradesh, Pondicherry and Manipur. The aggregate share capital and reserves of the wholesale stores declined from Rs 1,64 lakhs to Rs 1,06 lakhs during the period under review. However, their sales rose from Rs 4,19 lakhs in 1955–6 to Rs 5,74 lakhs in 1956–7 and again

to Rs 6,00 lakhs in 1957–8 with Madras accounting for about 53 per cent of the sales of all wholesale stores in the country during 1957–8. Madras is perhaps the only state where co-ordination has been established between consumers' co-operatives and producers' or marketing societies, particularly in regard to the purchase and sale of handloom goods and in the seasonal purchases of paddy through the marketing federations.

6.3 HOUSING SOCIETIES

6.3.1 Co-operative housing societies helped to ease in some degree the shortage of residential accommodation caused by industrial development in cities and also to provide decent houses for people living in rural areas. The progress of these societies, however, continued to be hampered by the high cost of building materials and the difficulty of obtaining adequate funds. The societies depended to a large extent on the financial assistance given by the Central Government under the Low Income Group Housing Scheme and the Subsidized Industrial Housing Scheme and by the state governments under their respective schemes for the financing of housing societies, *e.g.* rural and urban housing schemes and housing schemes for backward communities.

6.3.2 The progress made by co-operative housing societies at the apex and primary levels during the period under review is indicated in the following table.

TABLE 6.2 — OPERATIONS OF HOUSING SOCIETIES

Amounts in lakhs of rupees

Item	1955-6	1956–7	1957–8
1	2	3	4
Central housing finance societies			
Number	5	5	5
Membership	1,046	1,236	1,419
Share capital and reserves	71·27	80·55	86·26
Borrowings	61·31	85·28	1,74·29
(Of which from government) ..	(24·56)	(40·80)	(1,59·00)
Loans outstanding	88·32	1,41·96	2,43·65
Primary housing societies			
Number	3,099	3,604	4,172
Membership (in thousands) ..	1,97	2,14	2,48
Share capital and reserves	6,32	6,57	7,92
Borrowings	10,44	13,53	24,50
(Of which from government) ..	(7,75)	(7,96)	(10,26)
Loans outstanding	7,70	9,32	10,37

6.3.3 It may be seen that though the number of 'housing' finance societies remained stationary there was an appreciable growth in their activities during the period under review. Of the 5 housing finance societies, two were in Bombay and one each in Andhra Pradesh, Mysore and Orissa. In Bombay, the Bombay Co-operative Housing Finance Society

continued to administer the Low Income Group Housing Scheme of the Central Government.

6.3.4 During 1956–8 the number of primary co-operative housing societies in the country increased by 1,073 or about 35 per cent. Out of the total number of societies, Bombay accounted for 48 per cent and Madras, Andhra Pradesh, Mysore, Punjab, Rajasthan, Delhi, West Bengal and Uttar Pradesh together accounted for about 47 per cent. During 1957–8 the primary housing societies constructed 7,397 independent houses and 11,091 tenements. They also assisted their members in constructing 24,632 independent houses. A brief account of the working of housing societies in some states in which co-operative housing has made relatively greater headway is given below.

Bombay

6.3.5 The Bombay Co-operative Housing Finance Society had 292 members at the close of 1957–8 as against 219 at the end of June 1957. During 1957–8 its share capital increased by Rs 2 lakhs to Rs 70 lakhs. Of the total share capital of the society, Rs 35 lakhs or 49·8 per cent was contributed by the state government. During 1957–8 the society received loan applications from 41 co-operative housing societies for an aggregate amount of Rs 1,01 lakhs. Loans amounting to Rs 80 lakhs were sanctioned during the same year and the amount of loans disbursed totalled Rs 27 lakhs. The aggregate amounts of loans sanctioned and disbursed by the society since it was organized in 1952, were 2,22 lakhs and Rs 1,11 lakhs respectively.

6.3.6 The progress made by primary housing societies in the state may be seen from the following table.

TABLE 6.3 — PRIMARY HOUSING SOCIETIES IN BOMBAY

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	1,689	2,006
Number of members	76,106	90,101
Share capital	2,70·24	3,11·93
Reserves	87·84	96·32
Borrowings	14,25·52	12,33·34
(Of which from government)	(2,59·06)	(2,63·33)
Loans outstanding	2,50·51	2,90·40
Number of tenements constructed during the year	1,762	2,734
Number of tenements under construction	4,989	4,040

The increase in the number of societies shows that more people organized themselves co-operatively for building houses.

6.3.7 The Low Income Group Housing Scheme continued to be implemented through the Bombay Co-operative Housing Finance Society in the 24 districts of the old Bombay state. It was being executed departmentally in the Marathwada and Saurashtra regions. The Vidarbha Housing Board was entrusted with its execution in the Vidarbha region. During 1957–8, 58 societies were sanctioned loans aggregating Rs 88 lakhs under the scheme for constructing 1,320 tenements.

6.3.8 Since the inception of the Subsidized Industrial Housing Scheme, loans and subsidies aggregating Rs 21 lakhs and Rs 11 lakhs respectively were sanctioned to 40 co-operative housing societies organized by industrial workers. During 1957–8, 195 tenements were built by the societies and 344 tenements were under construction at the close of the year. The industrial workers' housing societies were faced with the problem of high cost of land and low ceiling for cost of construction fixed under the scheme.

6.3.9 The Backward Class Co-operative Housing Scheme completed its ninth year of working at the end of the period under review. During 1957–8, 302 co-operative housing societies were registered bringing the total number of backward class housing societies at the end of the year to 788.

Madras

6.3.10 The following table shows the progress made by co-operative housing societies in Madras.

TABLE 6.4 — PRIMARY HOUSING SOCIETIES IN MADRAS

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	357	381
Number of members	25,651	29,505
Share capital	1,23·25	1,30·67
Borrowings	3,07·36	3,54·87
(Of which from government)	(3,00·74)	(3,24·74)
Loans outstanding	1,73·55	2,21·32
No. of houses built during the year	326	681
No. of houses under construction	1,102	1,265

There are several types of co-operative housing societies in the state but of these, co-operative building societies are the most important. The main function of these societies is to advance long-term loans to members for building houses on sites already owned or acquired by them independently or through the society. Of the total number of societies at the end of 1957–8, 151 were co-operative building societies.

6.3.11 During the financial year 1957–8 loans totalling Rs 27 lakhs for the construction of 507 houses, were sanctioned under the Low Income Group Housing Scheme to urban housing societies in the state. Of the loans sanctioned, a sum of Rs 20 lakhs

was actually disbursed by the end of the financial year. During 1957–8, 282 houses were built and 583 houses were under construction.

6.3.12 At the end of 1957–8 there were 8 industrial workers' housing societies in the state, of which 2 had not commenced operations. The societies were not able to make much progress due, among other things, to the inability of the members to contribute 25 per cent of the cost from their own resources as required in the industrial housing scheme as it stood originally, lack of sufficient response and enthusiasm of their members and difficulty and delays in acquiring land. It may be stated that the industrial housing scheme has been liberalized in 1957–8 making only 10 per cent of the cost payable by the members from their own resources.

6.3.13 During the period under review the societies organized under the rural housing scheme made good progress. These societies functioned on the same lines as those organized in the cities except that (*i*) the maximum government loan which could be granted to a member was limited to Rs 5,000 as against Rs 12,000 in the case of urban societies and (*ii*) the adjustment of the cost of land towards share capital to be subscribed by members, was not permitted in their case. During 1957–8 the number and membership of the rural housing societies increased from 156 and 3,845 to 171 and 4,655 respectively. They constructed 81 houses during 1957–8 as compared to 48 in the preceding year.

Andhra Pradesh

6.3.14 Primary housing societies in the state made fairly good progress during the period under review as may be seen from the data given in the following table.

TABLE 6.5 — PRIMARY HOUSING SOCIETIES IN ANDHRA PRADESH

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	242	261
Membership	20,466	20,719
Share capital	63·53	75·60
Borrowings	1,64·33	2,51·77
(Of which from government)	(1,55·39)	(1,95·78)
Loans outstanding	1,69·83	1,88·29
Number of houses constructed during the year ..	624	678
Number of houses under construction at the end of the year	797	1,368

The Low Income Group Housing Scheme and the urban and rural housing schemes continued to be in operation in all parts of the state except Telangana where only the Low Income Group Housing Scheme was functioning. In 1957–8 the entire allotment of Rs 20 lakhs for Andhra and a sum of Rs 12 lakhs for the Telangana region under the Low Income Group Housing Scheme were utilized. It was reported that there was an increasing demand for loans under this scheme from co-operative housing societies in the state. The scheme

which was formerly applicable to municipal towns in the state, was extended to all major *panchayats* in 1957–8. At the same time the sanction of loans under the rural and urban housing schemes of the state government was discontinued.

Mysore

6.3.15 The Mysore State Co-operative House Building Corporation, formed in 1950–1, had 141 primary housing societies and 805 individual and other members at the close of 1957–8. It obtained loans from the Government of Mysore as also from the Government of India through the state government. Its progress during the period under review is shown in the following table.

TABLE 6.6 — MYSORE STATE CO-OPERATIVE HOUSE BUILDING CORPORATION

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Membership	863	946
Share capital	1·84	2·20
Reserve fund	0·09	0·11
Borrowings	68·78	91·98
Loans outstanding	52·49	79·99
Profit	0·22	0·12

During 1956–8 the corporation was allotted funds totalling Rs 42 lakhs under the Low Income Group Housing Scheme. The corporation extended its activities to rural areas also, the total amount sanctioned by it to rural housing societies being Rs 3 lakhs.

6.3.16 The progress made by primary housing societies in Mysore is indicated in the following table.

TABLE 6.7 — PRIMARY HOUSING SOCIETIES IN MYSORE

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	236	290
Membership	19,547	27,168
Share capital	13·39	19·46
Reserves	4·13	5·61
Borrowings	76·25	1,17·31
(Of which from government)	n.a.	(37·79)
Loans outstanding	n.a.	1,08·40
Number of houses built during the year	n.a.	2,040

The funds required by the housing societies in Mysore were advanced by the Mysore State Co-operative House Building Corporation and the Mysore State Housing Board. In 1957–8 the societies built 403 houses and also assisted their members in building 1,637 houses.

Orissa

6.3.17 The Orissa State Co-operative Housing Corporation was registered in 1955. At the end of June 1958 its share capital, including a sum of Rs 2 lakhs contributed by the state government, amounted to Rs 6 lakhs. During 1957–8 the corporation received loans aggregating Rs 1 lakh. Up to the end of June 1958 it had advanced loans aggregating Rs 18 lakhs.

6.3.18 At the end of June 1958, there were 92 primary housing societies including 68 rural housing societies in Orissa. The members of these societies built fire-proof houses either in model *bustees* or in scattered places where the members had their own sites. At the close of 1957–8, the societies had a membership of 2,064 and a share capital of Rs 1 lakh. Of the total borrowings of Rs 7 lakhs as at the end of June 1958 Rs 2 lakhs were from the state government. The members of these societies constructed 280 houses during 1957–8.

Punjab

6.3.19 The following table shows the progress made by housing societies in the state during the period under review.

TABLE 6.8 — PRIMARY HOUSING SOCIETIES IN PUNJAB

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	160	183
Owned funds	8·56	10·49
Borrowings	69·76	76·98
(Of which from government)	(51·96)	(60·06)
Loans outstanding	39·81	47·84
Number of houses built during the year	962	732

During 1957–8 the state government advanced loans amounting to Rs 9·24 lakhs to housing societies. The loans bear interest at 5½ per cent and are repayable within 30 years.

6.3.20 Rural housing societies have made relatively greater progress in the state. At the end of June 1958 there were 118 rural societies as against 107 at the end of the preceding year. During 1957–8 they constructed 410 houses as against 322 houses built by urban housing societies.

West Bengal

6.3.21 The progress made by housing societies is indicated in the following table.

TABLE 6.9 — PRIMARY HOUSING SOCIETIES IN WEST BENGAL

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	162	166
Membership	20,955	21,163
Share capital	11·90	11·99
Borrowings	54·50	78·07
(Of which from government)	(1·24)	(3·68)
Loans outstanding	5·38	8·47
Number of houses constructed during the year ..	1,206	1,043

A large number of the housing societies in the state were formed by displaced persons from Pakistan. In most cases the societies purchased land and divided it into small plots for allotment to members after making provision for roads, etc. They also helped members in drawing up plans and rendered assistance in other technical matters. The resources of the societies consisted of their share capital and reserves as also the deposits and advances from members for the purchase of land. The state government generally advanced house building loans direct to individuals. During 1957–8 the societies advanced house building loans amounting to Rs 5 lakhs out of which Rs 1 lakh was provided by the state government under the Low Income Group Housing Scheme.

Delhi

6.3.22 The number of housing societies rose from 124 to 173 during the period under review. During the same period their membership and working capital also recorded an appreciable increase from 11,740 and Rs 99 lakhs to 17,290 and Rs 1,81 lakhs respectively. Out of the total working capital of Rs 1,81 lakhs, Rs 1,59 lakhs represented deposits held by the societies. During 1956–8 the societies built 423 houses bringing the total number of houses built as at the end of the year to 1,520. It was reported that the development of housing societies in the state was being hampered by difficulties in acquiring land, shortage of funds and difficulty in getting plans approved.

6.4 CO-OPERATION AND LABOUR

6.4.1 A brief account of the progress made during 1956–8 by co-operatives organized by workers is given below under the following heads: (*i*) labour contract societies; (*ii*) forest labourers' societies; (*iii*) motor transport societies; and (*iv*) co-operative workshops.

Labour Contract Societies

6.4.2 Increasing developmental activity provided greater opportunities to labour contract or labour and construction societies for securing contracts for work from governments, municipalities, etc. and stimulated their progress during the period under review.

6.4.3 In *Punjab*, the number of labour and construction co-operatives and the value of works executed by them were greater than in the remaining states put together. At the close of 1957–8 there were 718 societies in the state with a membership of 71,504 as against 648 societies with a membership of 67,769 at the end of the preceding year. The value of the works executed by them during 1956–8 amounted to Rs 2,31 lakhs. In 1957–8 the state government reconstituted the State Labour and Construction Co-operative Societies Board which looks after the interests of labour and construction societies in the state.

6.4.4 In *Bombay*, there were 298 labour contract societies at the end of 1957–8, as against 235 societies at the end of the previous year. The societies continued to receive financial assistance from government to enable them to execute contracts. During 1957–8 they secured contracts of the value of Rs 33 lakhs for the construction of buildings, road repairs, etc. from various agencies such as the public works department, municipalities and local boards. The wages paid by them to members and non-members in 1957–8 amounted to Rs 17 lakhs as compared to Rs 14 lakhs in 1956–7.

6.4.5 In *Madras*, there were 21 labour contract societies with a membership of 2,636 at the end of June 1958 as against 18 societies with a membership of 2,063 at the end of the preceding year. During 1956–8 they secured contracts of the total value of Rs 5 lakhs and executed works costing Rs 4 lakhs. The amount of wages paid by them rose from Rs 0·64 lakh in 1956–7 to Rs 1·06 lakhs in 1957–8. Contracts of the value of up to Rs 2,500 were entrusted to the societies without calling for tenders. The societies were exempted from the payment of tender deposits and registration fees. Apart from labour contract societies, there were 2 washermen's societies with 147 members at the end of 1957–8. The societies secured work from public institutions and executed it through their members. Government provided these societies with the free services of departmental officials to work as managers.

6.4.6 In *Andhra Pradesh*, the number and membership of labour contract societies rose from 113 and 13,723 respectively at the end of June 1957 to 124 and 14,560 at the close of 1957–8. The state government sanctioned an interest free loan and subsidy amounting to Rs 0·13 lakh and Rs 0·05 lakh respectively to four societies in 1957–8. The concessions granted by the government to the societies in regard to contracts of the Public Works and Highways Departments expired at the end of February 1958 and had not been renewed up to the end of the period under review.

6.4.7 On 30 June 1957, there were 4 labour contract societies in *Kerala*, of which only one was working satisfactorily. In 1957 the Kerala Government sanctioned a scheme for the organization of labour contract societies in certain national extension service blocks in the state, as a result of which the number of societies rose to 38 during 1957–8. Out of the 38 societies 13 secured contracts of the value of Rs 17·67 lakhs and executed work of the value of Rs 4·04 lakhs. The societies paid wages aggregating Rs 3·71 lakhs to members and others during 1957–8.

6.4.8 At the close of 1957–8 there were 9 labour contract societies in *Orissa*. The societies were organized with a view to providing off-season employment to agricultural labourers. They were mainly concerned with the execution of earth work, laying out of village roads, etc. The state government has instructed the departments concerned to give preference to these societies when granting contracts. The Brahmani Labour Contract Co-operative Society formed in 1956 when flood relief work was in progress in the

state did good work during 1957–8. Its assets included a building, jeep and motor cycle collectively worth Rs 14,000. In 1957–8, it took up contract works costing Rs 1·55 lakhs from the South Eastern Railway.

6.4.9 *Delhi, Rajasthan* and *Himachal Pradesh* had 10, 76 and 10 labour contract societies respectively at the end of the period under review.

Forest Labourers' Societies

6.4.10 Forest labourers' societies, which were organized mainly for improving the economic condition of backward tribes made noteworthy progress in *Bombay* during the period under review as may be seen from the following table.

TABLE 6.10 — FOREST LABOURERS' SOCIETIES IN BOMBAY

Amounts in lakhs of rupees

Item	1956–7	1957–8
1	2	3
Number of societies	216	275
Membership	42,539	46,743
Number of societies which were allotted coupes	135	186
Number of coupes allotted	309	408
Share capital	6·00	8·00
Reserves	27·55	35·57
Working capital	62·10	1,16·22
Sales	1,62·58	1,63·04
Profit	36·50	46·10
Loss	1·53	26·30

The Committee for Planning and Development of Forest Labourers' Societies held 12 meetings in 1957–8 of which 7 were mainly devoted to the consideration of cases of allotment of forest coupes to societies which were *prima facie* considered ineligible for allotment of coupes by the conservator of forests. The co-ordination committees which consisted of the representatives of forest labourers' societies, their sponsoring agencies and officers of the forest and cottage industries departments continued to work during the period under review and were helpful in solving the difficulties experienced by the societies. The societies continued to obtain financial accommodation from central financing agencies under the scheme of financial aid to industrial co-operatives. During 1957–8, 58 societies were recommended loans aggregating Rs 10 lakhs.

6.4.11 In *Andhra Pradesh*, the number and membership of forest coupe societies rose from 24 and 2,487 to 26 and 2,983 respectively during 1957–8. During the same year they sold forest produce of the value of Rs 1 lakh as against Rs 2 lakhs in the preceding year. The decline in the sales was mainly due to the change in the policy of leasing forest coupes to societies. Under the new policy which became effective in 1957–8 the conservator of forests is required to lease coupes by public auction. However, societies which bid successfully are granted a remission of 10 per cent of the amount bid by them.

6.4.12 In *Orissa*, there was one forest labourers' society at the end of the period under review. The state government granted it a subsidy of Rs 0·12 lakh and a loan of Rs 0·27 lakh.

Transport Societies

6.4.13 The following table gives the number and membership of co-operative transport societies in some of the states at the close of 1957–8.

TABLE 6.11 — NUMBER AND MEMBERSHIP OF TRANSPORT SOCIETIES

State	Number	Membership	State	Number	Membership
1	2	3	1	2	3
Punjab	278	7,843	Madhya Pradesh	20	475
Rajasthan	60	1,217	Madras	7	309
West Bengal ..	40	2,069	Kerala	5	n.a.
Bombay	38	7,531	Andhra Pradesh ..	4	240

6.4.14 *Punjab* had the largest number of transport societies and they continued to function with marked success during the period under review. The number and membership of the societies stood at 278 and 7,843 at the close of 1957–8. The number of transport societies newly organized during the period under review was 155. The large increase in the number of transport societies was due to the state government's policy of giving preference to co-operative societies in the grant of *kutcha* route permits. During 1957–8, the owned funds of the societies rose from Rs 56 lakhs to Rs 69 lakhs and the working capital increased from Rs 1,01 lakhs to Rs 1,26 lakhs. A significant feature about the working of the societies was that about 54 per cent of their working funds was composed of their owned capital. At the end of 1957–8, the societies owned 135 trucks and 378 buses. During 1957–8, 155 transport societies made a profit of Rs 12 lakhs.

6.4.15 At the end of June 1958, there were 40 transport societies with a membership of 2,069 in *West Bengal*. During 1956–7 and 1957–8, their income amounted to Rs 1·20 lakhs and Rs 1·74 lakhs respectively. During 1956–8, they received loans aggregating Rs 0·46 lakh from the state government.

6.4.16 At the end of 1956–7, there were 39 co-operative transport societies in *Bombay* with a membership of 7,297 and working capital of Rs 27 lakhs. Although the number of societies declined to 38 as at the end of 1957–8, their membership and working capital rose to 7,531 and Rs 33 lakhs respectively. The societies owned 172 passenger buses and 33 trucks at the close of the period under review. Their profits rose from Rs 5 lakhs in 1956–7 to Rs 6 lakhs in 1957–8. As a result of the policy of the state government of progressively nationalizing the passenger transport services, registration of new societies for passenger transport was not encouraged.

6.4.17 The motor transport societies in *Madras* were mostly composed of ex-servicemen. Seven such societies were in existence at the end of June 1958 with 309 members and a share capital of Rs 2 lakhs. The number of ex-servicemen employed

was 272 in 1957–8 as against 324 in 1956–7. A sum of Rs 4 lakhs was paid to them as salary and allowances during 1957–8 as against Rs 2 lakhs during the preceding year. The societies owned 74 trucks, 53 buses and one car. The main function of the societies was the transportation of goods belonging to the general public, government departments and co-operative societies such as the district co-operative supply and marketing unions. But as many of the trucks owned by the societies were old and entailed heavy expenditure on repairs, the societies were gradually switching over to passenger transport which incidentally was relatively more profitable. The Post War Services Reconstruction Fund Committee, which had been rendering financial assistance to the societies with the funds placed at its disposal by the Government of India, stopped financing them during the period under review owing to paucity of funds. All the societies had small workshops of their own for handling minor repairs, spray painting and welding.

6.4.18 Out of the 4 motor transport societies in *Andhra Pradesh* with a membership of 240 and a share capital of Rs 1·18 lakhs respectively, 3 were ex-servicemen's societies. The income of the societies by way of hire charges amounted to Rs 10 lakhs in 1957–8. The societies owned a fleet of 60 motor vehicles of the total value of Rs 8 lakhs. They continued to obtain loans from the Post War Services Reconstruction Fund Committee.

Co-operative Workshops

6.4.19 The co-operative workshops, mostly formed by ex-servicemen, continued their activities during the period under review. Of 7 such societies in *Madras* at the end of 1955–6, one was wound up and two were transferred to *Kerala* consequent on the reorganization of states in November 1956. At the close of 1957–8, there were 7 co-operative workshops in *Bombay*. One of these, *viz.* the Saranjam and Yantrakam Karyalaya, Dhulia, was dormant. The working of another society, *viz.* the Kopargaon Kisan Co-operative Workshop, which was manufacturing buckets and pans required for *gur* manufacture, had to close its workshop consequent on the establishment of sugar factories in the Kopargaon district and take up the work of transporting sugar-cane to factories. The Karad Co-operative Workshop continued to manufacture automatic looms, spare parts, oil presses, *ambar charkhas*, etc. The Sarvodaya Engineering and Moulding Society, Ahmedabad, was registered in 1957–8 for moulding and manufacturing small machinery parts. It was sanctioned a quota of 22 tons of pig iron to enable it to commence its work. It was also granted assistance by way of government contribution towards its share capital and loan for purchasing tools and machinery. At the end of June 1958 there were 4 workshops with a membership of 542 in *West Bengal*. The workshops were engaged in the manufacture of electrical fittings.

6.5 CO-OPERATION AND WOMEN

6.5.1 Women's co-operatives continued to play a useful part in supplementing the earnings of lower middle class families. The table 6.12 on page 113 gives the number and membership of women's societies in some of the states at the end of June 1958. It may be seen that *Punjab* had the largest number of women's societies. Of the total number of societies in Punjab 380 were thrift societies, 157 were industrial societies and 57 were credit and rehabilitation societies. During 1957–8, the thrift societies paid dividends amounting to Rs 5,780. Punjab is one of the few states in which a separate cadre of women staff has been appointed to supervise the working of women's co-operatives.

6.5.2 In *Madras*, there was one milk supply society for women, which commenced working in December 1956. It had 39 members and a share capital of Rs 825. There

TABLE 6.12 — NUMBER AND MEMBERSHIP OF WOMEN'S SOCIETIES

State	Number	Membership	State	Number	Membership
1	2	3	1	2	3
Punjab	613	18,408	West Bengal	21	1,187
Bombay	67	8,469	Kerala	22	2,666
Mysore	43	5,413	Rajasthan	19	1,031
Andhra Pradesh	36	3,714	Madhya Pradesh	10	293
Uttar Pradesh	146	3,351	Bihar	8	393
Orissa	40	2,005	Tripura	21	529
Delhi	80	1,617			

was also a central cottage industrial society formed by women. The object of the society was to promote cottage industries among women in the city of Madras and also to provide part or full-time employment to women admitted to membership in 13 primary societies affiliated to it. The society was provided with the free services of a senior inspector of co-operative societies to work as secretary and was also sanctioned Rs 5,000 in 1957–8 for improving its show room. The Central Social Welfare Board had sanctioned it a grant of Rs 15,000 for imparting intensive training to members of 5 primary societies.

6.5.3 In *Andhra Pradesh*, the number and membership of women's societies declined from 51 and 6,114 at the end of June 1957 to 36 and 3,714 respectively at the close of the period under review. The main activities of these societies related to tailoring and making of tape and leaf plates. In 1957–8 they produced goods worth Rs 4 lakhs as against Rs 3 lakhs in the preceding year.

6.5.4 In *Bombay*, the number, membership and working capital of women's societies rose from 46, 6,183 and Rs 1·12 lakhs respectively at the end of June 1957 to 67, 8,469 and Rs 1·45 lakhs respectively at the end of 1957–8. The societies undertook tailoring, embroidery and preparation of condiments. During 1957–8, they produced goods worth Rs 6 lakhs. Special mention may be made of the Family Welfare Co-operative Society, Poona, which was running a match factory, the Nav Vidhan Audyogik Sahakari Mandali, Poona, which was manufacturing radio transformers and the Kalyan Yantrakam Sahakari Karkhana, Kirkee, which was manufacturing white metal pressed shell bearings for automobile and diesel engines.

6.5.5 In *Uttar Pradesh*, women's societies were mostly concerned with the promotion of thrift, health and general welfare of their members. They trained their members in first aid, child care, tailoring, knitting, cooking and midwifery. The number of women's societies declined from 165 at the end of 1956–7 to 146 at the close of the period under review.

6.5.6 Women's co-operatives in *West Bengal* were engaged in lace making, toy making, embroidery, printing, etc. As in many other states, the working of these societies continued to be hampered by lack of suitable arrangements for the sale of their products.

At the end of 1957–8, there were 80 women's societies, including 27 thrift societies, in *Delhi*. Their purchases and sales during 1957–8 amounted to Rs 0·25 lakh and Rs 0·30 lakh respectively. The working of these societies was supervised by women staff but the staff was not adequately trained. Women's societies in *Kerala* were engaged in paddy husking, handicrafts, chit funds, etc. Of the 19 women's societies in *Rajasthan*, 6 were cottage industrial societies, 2 were supply societies and 10 were welfare societies.

6.6 CO-OPERATION AND DISPLACED PERSONS

6.6.1 The frequent migration of displaced persons in search of better prospects was one of the factors that adversely affected the working of the co-operative societies formed by displaced persons. A number of such societies became defunct during the period under review and very few new societies were formed.

6.6.2 During 1956–8 the number of co-operative societies formed by displaced persons in *Punjab* remained stationary at 912. Loans aggregating Rs 71 lakhs advanced to these societies by the Rehabilitation Co-operative Organization of the Rehabilitation Department under various schemes were being gradually recovered from them. The total recoveries made up to the end of the period under review amounted to Rs 33 lakhs. Coercive measures of recovery were avoided as far as possible and restricted to cases of wilful default. The movement from one place to another of indebted members was on the increase and they had to be followed by the staff for recovery of the dues. Considerable progress was made by the twentyseven garden co-operative societies which were organized for resettling displaced fruit growers from the western districts of undivided Punjab where the fruit growing industry flourished and incidentally also for meeting the deficiency in fruit caused by the transfer of the districts to Pakistan at the time of the partition of the country. The societies were advanced loans aggregating Rs 11 lakhs to enable them to lay out orchards. Out of the 20,000 acres of land allotted to them 7,000 acres were planted with fruit trees.

6.6.3 In *West Bengal*, there were about 250 co-operatives of displaced persons, including weavers' societies, housing societies and multi-purpose societies. Lack of capital, absence of efficient management and internal dissensions were some of the factors that were holding up rapid progress of these societies. In *Rajasthan*, there were 102 societies organized by displaced persons, of which 14 were housing societies, 27 were farming societies and 61 were industrial and other societies. Due to lack of trained personnel and other inherent disabilities, the societies were unable to progress to the extent desired. In *Delhi*, the loans granted to co-operative societies formed by displaced persons had become sticky and were being recovered by the staff of the co-operative department by the use of persuasive methods as well as through legal action. In *Tripura*, 31 colony multi-purpose societies were engaged in various industrial occupations such as weaving, paddy husking and *bidi* making. The industrial schemes under which they were organized were drawn up by the government with a view to developing opportunities for employment.

6.7 CO-OPERATION AND EX-SERVICEMEN

6.7.1 Ex-servicemen's societies generally continued to work satisfactorily during the period under review. However, the nationalization of passenger transport services had an unfavourable repercussion on the working of motor transport societies organized by ex-servicemen and in many cases the societies had gradually to switch over to goods transport. A brief account of the working of ex-servicemen's societies in a few states where they have made some advance is given below.

6.7.2 In *Madras*, the particulars in regard to the working of the 7 transport societies most of which were formed by ex-servicemen are furnished in section 6.4.17 above. Apart from these there were also 7 land colonization societies organized with a view to resettling the personnel demobilised from the armed forces on land gifted or alienated to them. The Central Government and the Post-War Services Reconstruction Fund Committee gave grants and loans to the societies in order to enable their members to acquire shares, purchase live-stock and equipment and meet cultivation expenses. At the end of June 1958, the societies had 647 members and their share capital stood at Rs 2·29 lakhs. Of the 6,628 acres of land allotted to the societies 2,815 acres were reclaimed. Some of the societies provided amenities such as schools and medical aid. The members of many societies took up dairying, poultry farming and kitchen gardening as subsidiary activities.

6.7.3 In *Andhra Pradesh*, there were 3 transport societies and 10 land colonization societies organized by ex-servicemen at the end of the period under review. The working of the transport societies has been dealt with in section 6.4.18 above. The land colonization societies had a membership of 1,179 and a share capital amounting to Rs 5 lakhs of which Rs 3 lakhs were contributed by way of grant and Rs 2 lakhs by way of loan from the Post-War Services Reconstruction Fund. The societies were given 14,210 acres of land of which 6,373 acres were reclaimed and 5,398 acres were brought under cultivation by them. The remaining land could not be cultivated because of lack of adequate irrigation facilities. On 30 June 1958, the amount due by these societies to the Post-War Services Reconstruction Fund stood at Rs 2 lakhs including a sum of Rs 17,000 which was overdue.

6.7.4 At the end of 1957–8, there was only one ex-servicemen's society in *Mysore*. It had a membership of 69 and a share capital of Rs 6,590. It advanced loans to enable its members to take up dairying, poultry farming, carpentry and other activities. Of the 34 ex-servicemen's societies in *Kerala* at the end of 1957–8 three were engaged in transport business and the rest in activities relating to credit, stores, land colonization, etc. The aggregate membership of the societies stood at 3,700 and the share capital at Rs 2 lakhs. In *Punjab*, there were 58 ex-servicemen's societies at the end of June 1958. Of these 14 were transport societies, 32 farming societies, 5 credit societies, 6 multi-purpose societies and 1 brick kiln. In *Rajasthan*, there were 7 ex-servicemen's collective farming societies. Out of the 4,000 *bighas* of land allotted, the societies were able to reclaim and bring under cultivation more than 80 per cent of the land.

6.8 CO-OPERATION AND SOCIAL SERVICES

6.8.1 Under this head are included (*i*) better living societies, (*ii*) medical aid societies and (*iii*) education societies. A brief account of their working is given in the following paragraphs.

Better Living Societies

6.8.2 The number and membership of better living societies in the different states as at the end of June 1958 are given in table 6.13 on page 116. The total income by way of donations, subscriptions, etc. of the better living societies in *Bombay* rose from Rs 0·19 lakh in 1956–7 to Rs 0·97 lakh in 1957–8. The substantial increase in their income during 1957–8 was mainly due to an increase of the order of over Rs 0·55 lakh in donations received. One of the societies in *Madras* was running a night school for poor children, most of the others being dormant. In *Punjab*, the work of better

living societies was taken over by local *panchayats* and hence the societies were being liquidated. The societies in *Orissa* received loans and subsidies amounting to Rs 0·12 lakh from the state government during the period under review. One of the societies in *Assam* was running a middle school. Many of the better living societies in *Uttar Pradesh* were defunct and steps were being taken to revive them. The societies in *Himachal Pradesh* did not make any progress during the period under review.

TABLE 6.13 — BETTER LIVING SOCIETIES

State	Number	Membership
1	2	3
Assam	2	n.a.
Bombay	101	9,606
Madras	23	2,212
Orissa	49	1,578
Punjab	51	2,105
Uttar Pradesh	3,403[1]	29,154
West Bengal	102	3,101
Delhi	32	1,583
Himachal Pradesh	12	1,112

[1] In addition there were 8 central societies.

Medical Aid Societies

6.8.3 Medical aid societies in the country were few in number but they did useful work during the period under review. In *Madras*, there were 6 medical aid co-operatives with a membership of 1,145. At the end of June 1958 their working capital stood at Rs 0·29 lakh. They treated 13,273 patients during 1957–8. The state government provided the free services of junior inspectors to work as managers of two societies. It also gave a subsidy of Rs 0·10 lakh to a third society towards the cost of the services of a doctor, compounder, ward boy, etc. for three years. Three medical aid societies in the community development and national extension service areas were sanctioned grants-in-aid aggregating Rs 0·09 lakh by the Community Development Administration during the period under review.

6.8.4 At the end of June 1958, there were two medical aid co-operatives in *Andhra Pradesh*. One of these was dormant; the other had 180 members with a share capital of Rs 0·04 lakh. In *Mysore* there were two medical aid societies. One of them situated at Ghataprabha was a co-operative hospital. At the end of June 1958, its reserves, building fund and total assets amounted to about Rs 1 lakh, Rs 0·74 lakh and Rs 4·52 lakhs respectively. It received loans and subventions aggregating Rs 1·60 lakhs from government. The society was putting up a big building for the hospital and providing it with up-to-date medical apparatus and equipment. The other located at Bangalore was a homoeopathic hospital. At the end of June 1958, its membership, share capital and reserves stood at 244, Rs 2,020 and Rs 5,540 respectively. During 1957–8, it made a profit of Rs 2,132. In *Bombay*, there were 12 medical aid societies with a membership of 1,311 and a working

capital of Rs 95,911 at the end of June 1958. They were running 9 hospitals for which they had engaged the services of 12 doctors. During 1957–8, they treated 72,339 patients. During the same year their total income and expenditure amounted to Rs 0·40 lakh and Rs 0·37 lakh respectively. At the end of June 1958, there were 116 medical aid societies in *Punjab* with an aggregate membership of 13,798. The number of patients treated by them in 1956–7 and 1957–8 was 5·83 lakhs and 5·85 lakhs respectively. The societies received grants-in-aid amounting to Rs 0·57 lakh and Rs 0·71 lakh in 1956–7 and 1957–8 respectively. In *Uttar Pradesh*, there was one medical aid society. It treated 54,710 patients in 1957–8. *West Bengal* had more medical aid societies than the other states put together but with the elaborate health measures undertaken directly by the state government, the scope of such societies was narrowing down. At the end of 1957–8, there were 527 such societies in the state with a membership of 9,057. *Delhi* had two societies with 45 members and *Himachal Pradesh* had one society with 68 members.

Education Societies

6.8.5 At the end of June 1958, there were 40 education societies with 8,420 members and a working capital of Rs 17·31 lakhs in *Bombay*. They had appointed 234 teachers. There were 360 students in the primary schools and 5,169 students in the secondary schools run by them. 146 illiterate adults were benefited by the adult education classes conducted by them. The grants-in-aid received by the societies from the state government during 1956–7 and 1957–8 amounted to Rs 0·74 lakh and Rs 1·60 lakhs respectively. The education societies registered under the Bombay Co-operative Societies Act were classed as proprietary concerns for the purpose of eligibility of grants from government and thus found themselves in financial difficulties. It was, therefore, decided by the co-operative department not to encourage the formation of such societies in future. In *Mysore*, there was a co-operative high school at Attibele. The donations collected by it amounted to Rs 0·18 lakh. Government granted it a subvention of Rs 4,000 during 1956–8. In *Madras*, there were two education societies. One of them, the Madras Catholic Educational Co-operative Society, had 174 members and a share capital of Rs 3,580. The other society, the South Indian Adult Education Co-operative Society, had 34 members with a share capital of Rs 2,360. The society did not function during 1957–8. At the close of the period under review, there was one education society in *Andhra Pradesh* with 122 A and B class members. The A class members subscribed Rs 1,000 and B class members paid Rs 10 annually. The working capital of the society stood at Rs 1·80 lakhs at the close of the period under review. In *Bihar*, there was one education society, called the Jamshedpur Educational and Cultural Co-operative Society, which provided college education to the children of the members of the various co-operative institutions in Jamshedpur. *West Bengal* had 2 education societies with 40 members. In *Uttar Pradesh*, there were 16 central and 20 primary educational societies with a membership of 621, share capital of Rs 5,570 and working capital of Rs 61,731 at the close of the period under review. In *Punjab*, there were 20 societies with 1,191 members and a working capital of Rs 7,000. In *Delhi*, there were 8 such societies with a membership of 213 and working capital of Rs 1·05 lakhs. No state assistance was given to these societies.

6.9 CO-OPERATION AND PROHIBITION

The period under review witnessed satisfactory progress by the co-operative societies organized by toddy tappers who were thrown out of employment consequent on the introduction of prohibition. In *Andhra Pradesh*, where prohibition was in force in eleven districts in the Andhra area, there were 487 palm jaggery manufacturing societies and 306 *neera*

societies with a total membership of 69,735 and a share capital of Rs 2 lakhs at the end of the period under review. During 1956–7 and 1957–8, they sold jaggery of the value of Rs 12 lakhs and Rs 13 lakhs respectively and *neera* of the value of Rs 4 lakhs and 9 lakhs respectively. In the Telangana region of the state where there was no prohibition there were 12 toddy tappers' societies with 65 members and a share capital of Rs 62,596 at the end of June 1958. Under the palm *gur* development scheme, the state government provided the necessary technical and administrative staff to assist these societies. The state government also provided training facilities to the members of the societies in the latest techniques of manufacturing palm *gur*, palm sugar and other palm products. The expenditure on the palm *gur* development scheme was shared equally by the state government and the All India Khadi and Village Industries Board. In order to encourage the palm *gur* industry, the government exempted palm jaggery and other palm products from the levy of sales tax. In addition to the jaggery manufacturing societies mentioned above, the following societies were also functioning for ex-toddy tappers in the state, *viz.* (*i*) 4 milk supply unions, (*ii*) 61 milk supply societies, (*iii*) 4 land colonization societies, (*iv*) 20 tenants' and field labourers' societies and (*v*) 18 cattle breeding and cottage industrial societies. Further, some of the rural credit societies in the state had adopted by-laws for providing social and recreational activities to former addicts and ex-tappers. In *Madras*, the rehabilitation of ex-toddy tappers through the agency of co-operative organizations of various types such as palm jaggery manufacturing societies, milk supply societies, land colonization societies and tenant farming societies, was continued during the period under review. There were 1,327 palm jaggery manufacturing societies at the end of 1957–8, with a membership of 1·65 lakhs. They produced jaggery worth Rs 74 lakhs during 1957–8 and their sales during the same year amounted to Rs 96 lakhs. By the end of June 1958, there were 1,302 ex-tapper members in milk supply societies and they supplied milk valued at Rs 9 lakhs to the societies during 1957–8. Further, 809 acres of land were sub-leased to ex-tapper members of land colonization and tenant farming societies for cultivation. Ex-tappers were also provided employment by being admitted as members in other types of societies such as fishermen's societies and weavers' societies. In *Mysore*, there were 80 ex-toddy tappers' societies in the South Kanara district which was transferred from Madras state consequent on the reorganization of the states. They had a membership of 10,089 and a share capital of Rs 1·14 lakhs. They were running 21 *neera* parlours and also sold jaggery of the value of Rs 7 lakhs. In *Orissa*, there were 13 palm *gur* co-operatives which provided employment to ex-tappers. During 1957–8, a subsidy of Rs 400 was granted by the government to the Utkal Talgur Samiti which financed the palm *gur* societies. In *Bombay*, co-operative societies continued to play an important role in implementing the policy of prohibition by running *sanskar kendras* or recreation centres. During 1957–8, 16 societies ran 43 *sanskar kendras* and some of these societies were provided with grants by the state government. General supervision over the *sanskar kendras* was exercised by the superintendents of excise and prohibition. At the close of 1957–8, there were 146 co-operative societies engaged in the palm *gur* industry in *Kerala*. During 1957–8, 56 societies were sanctioned grants aggregating Rs 20,000.

6.10 CO-OPERATION AND INSURANCE

6.10.1 With the nationalization of life insurance business in India in January 1956, the only business left for co-operative insurance societies was general insurance. At the close of the period under review, there were 6 co-operative insurance societies, one society each in Andhra Pradesh, Bihar, Bombay and Madras and two societies in Orissa. The Co-operative General Insurance Society, Hyderabad (Andhra Pradesh) showed a marked increase in its volume of business. Thus, the premiums after deducting re-insurance

premiums rose from Rs 2·25 lakhs in 1956–7 to Rs 3·01 lakhs in 1957–8. The profit made by the society in 1957–8 amounted to Rs 0·46 lakh as against Rs 0·21 lakh in 1956–7.

6.10.2 In *Bombay*, the Union Co-operative Insurance Society formerly known as the All-India Co-operative Fire and General Insurance Society made all round progress during the period under review. As an all-India organization, it had branches in Delhi, Calcutta, Bangalore and Ujjain in addition to six branches in the Bombay state. The society continued and intensified its activities in West Bengal, Bihar, Punjab and Uttar Pradesh. The membership and share capital of the society increased slightly from 253 and Rs 5·16 lakhs respectively at the end of June 1957 to 257 and Rs 5·19 lakhs respectively at the close of 1957–8. The net premium after deducting re-insurance premium rose from Rs 3·42 lakhs in 1956–7 to Rs 5·33 lakhs in 1957–8. The profits of the society rose from Rs 1·42 lakhs in 1956–7 to Rs 1·81 lakhs in 1957–8 despite the increase in the cost of management from Rs 2·54 lakhs to Rs 3·64 lakhs in the respective years.

6.10.3 The Co-operative Fire and General Insurance Society in *Madras* had 4,268 members at the end of the period under review. During the calendar year 1957, it issued 11,291 fire insurance policies for Rs 20·61 crores. The net premium amounted to Rs 2·64 lakhs in 1957. Under general insurance (fidelity, motor vehicles, marine, etc.) the society issued 2,724 policies involving risks totalling Rs 8·90 crores. In *Orissa*, there were two insurance societies, *viz.* the Orissa Co-operative Insurance Society and the Utkal Motor Vehicle Insurance Society, with 188 members and a share capital of Rs 1·50 lakhs as at the end of December 1957. The profits made by them in 1956 and 1957 amounted to Rs 0·23 lakh and Rs 0·31 lakh respectively. At the end of December 1957, the reserve and other funds, the insurance fund and the investments of the two societies stood at Rs 4·01 lakhs, Rs 0·73 lakh and Rs 3·08 lakhs respectively. In *Bihar*, there was one motor transport co-operative insurance society at Jamshedpur, with 602 members and a share capital of Rs 0·04 lakh at the close of the period under review. The insurance fund and the investments of the society amounted to Rs 0·41 lakh and Rs 0·25 lakh respectively.

7. CO-OPERATIVE EDUCATION

7.1 Introduction

The circumstances which led to the organization of the Central Committee for Co-operative Training in 1953 to formulate plans and make arrangements for the training of co-operative personnel at all levels, both institutional and governmental, and the efforts made by the Committee in this behalf till June 1956 have been given in detail in the last Review. As has been referred to therein, different training courses for different categories of co-operative personnel have been organized by the Central Committee. The Committee has been conducting a Senior Officers' Course at the Co-operative Training College, Poona, for the senior personnel of co-operative departments and co-operative institutions all over the country; an Intermediate Officers' Course at each of its five Regional Training Centres at Poona, Madras, Ranchi, Meerut and Indore and a Block Level Co-operative Officers' Training Course at each of the eight Block Level Co-operative Officers' Training Centres located at Bhavnagar, Hyderabad, Tirupati, Gopalpur-on-Sea, Kalyani, Faizabad, Dhuri and Kota for intermediate co-operative personnel working in Block Development areas; a special course in Co-operative Marketing at each of the five Regional Training Centres mentioned above and a Land Mortgage Banking Course at the Regional Co-operative Training Centre, Madras. For the training of the junior personnel from co-operative departments and co-operative institutions, the state governments or co-operative unions have been conducting 46 junior schools under the scheme of the Central Committee. An account of the progress made in respect of each of the courses mentioned above is given below.

7.2 Senior Officers' Course

The course is intended for senior officers in the co-operative departments and co-operative institutions, and is a refresher course. It is conducted only at one centre in India, *viz.* the Co-operative Training College, Poona. The duration of the course is six months and about 2 sessions are conducted every year, with a training capacity of 40 to 45 candidates per session. By July 1956, seven sessions had been completed and the eighth session was in progress. By the end of June 1958, 11 sessions were completed training 347 officers and the 12th session was in progress with 42 trainees. It may, however, be stated that not all the states have taken advantage of this course in an equal measure nor have the candidates deputed for training been evenly distributed as between co-operative institutions and departments in all the states.

7.3 Intermediate Officers' Course

This is a comprehensive course of 11 months' duration (at Poona of 12 months) intended for the intermediate personnel of co-operative departments and institutions. Each of the five Regional Training Centres provides training facilities for about 45 candidates per year and serves the training needs of the states falling within its region. Between July 1956 and June 1958, 384 candidates (239 departmental, 116 institutional and 29 private) completed their training and at the end of the period, 74 candidates (45 departmental and 29 institutional) were under training. It may be stated that in relation to the existing capacity of the training centres (about 40/45 per session) there was generally a shortfall in the number of candidates deputed by the co-operative departments and the co-operative institutions. In the matter of deputing candidates for training, there were states which

deputed exclusively departmental candidates while some others deputed only institutional candidates.

7.4 Special Courses on Co-operative Marketing

It was mentioned in the last Review that it was decided to organize short-term courses on co-operative marketing at all the Regional Training Centres; a four months' course at Poona, Meerut and Madras for experienced personnel and a six months' course at Ranchi and Indore for the comparatively less experienced personnel. The courses were accordingly started at all the Regional Training Centres; but the classes had to be conducted with much less strength than had been provided for. In most cases, the shortfall seemed to have resulted from difficulties in the state governments' programmes for recruitment and the inadequate response from co-operative institutions. Also, in a few cases, the programme for promoting co-operative marketing had not kept pace with planned targets. By the close of the period under review, *viz.* 30th June 1958, 428 candidates (374 departmental and 54 institutional) had completed training from all the five centres. 82 candidates (54 departmental and 28 institutional) were under training as on that date.

7.5 Land Mortgage Banking Course

The special course on land mortgage banking was organized in the Regional Training Centre, Madras with a capacity to train 80 candidates in two sessions per year and the first session commenced on 1 June 1956. The session was of a duration of four and a half months with considerable emphasis placed on field instruction in regard to valuation of land, land records, survey, etc. By the close of the period under review, *i.e.* 30 June 1958, four sessions of the course had been completed training 148 officers (114 departmental and 34 institutional) and the fifth course was in progress with 39 candidates (23 departmental and 16 institutional). The response from the various states for the course was satisfactory. Even some of the states where land mortgage banking had yet to develop took advantage of the training facilities with a view to facilitate such development in future.

7.6 Block Level Co-operative Officers' Course

Mention has already been made in the last Review that the organization of all the 8 Block Level Co-operative Officers' Training Centres was completed by June 1956. The scheme for training of these officers was given in detail in the last Review. As on 30 June 1958, 1,338 candidates had completed training at the 8 centres and 470 were under training. The total capacity to train the candidates at several centres had however not been fully utilized. The reasons for the shortfall generally put forward by the state governments were the slower pace of the formation of Development Blocks and difficulties in regard to recruitment.

7.7 Junior Officers' Course

7.7.1 As stated in the last Review, Junior Officers' Co-operative Training Centres were functioning in all the states under the scheme of the Central Committee to train subordinate or junior co-operative personnel such as sub-inspectors, supervisors, sub-auditors, etc. from co-operative departments and secretaries or managers, accountants, salesmen, etc. from co-operative institutions. The Committee, besides examining the proposals for grants-in-aid from the Government of India to these schools continued also to undertake the task of supervising the working of these schools to ensure satisfactory standards in the arrangements for training, the syllabus, practical training, administration,

etc. With the same end in view, a series of three Conferences of the Junior Officers' Training Schools was held on a regional basis at Bangalore, Ranchi and Patiala during the period under review. The Conferences proved very useful in reviewing the existing arrangements and indicating lines of further improvements.

7.7.2 The number of Junior Officers' Training Centres as at the end of June 1958 was 46. Since the commencement of the Central Committee's scheme for training the junior co-operative personnel, 10,075 candidates had completed training and 2,418 candidates were under training as on 30 June 1958. While the training capacity of the existing schools was large and if necessary could be expected to meet increased requirements, it was found that in several institutions, the state governments and co-operative institutions had not been able to make full use of the facilities available for training. One of the reasons for the shortfall was that recruitment had not kept pace with the programmes.

7.8 Improvement in the content of Training Courses

7.8.1 As already mentioned in the last Review, the organizational arrangements for the training courses were more or less completed by the end of 1956 and the attention of the Central Committee was devoted during the period of the review mainly towards improving the quality and content of the training imparted in the various courses. This was done *inter alia* through occasional conferences of officials and co-operators concerned with the implementation of the training programmes and on the basis of experience gained by the Committee itself in conducting the training programmes. Duration of the courses, qualifications of candidates to be admitted, coverage of the syllabi, methods of imparting effective practical training, evaluation of the performance of the trainees were some of the matters which received constant attention of the Central Committee. In this connection particular reference might be made to the introduction of 'Extension Methods' and 'Business Management' as separate subjects in the curricula of the training courses and the use of audio-visual aids for training purposes. Since officers of co-operative departments and co-operative institutions would have to deal with the general public and the members of societies, the need for emphasis on the study of Extension Methods was considered essential. The study of Business Management was included in order to give due emphasis to the fact that co-operatives were essentially business organizations and the personnel concerned with the management of co-operatives must be properly attuned to the principles and practices of efficient management from the business point of view.

7.8.2 In its efforts towards improving the training arrangements, the Central Committee had the benefit of the advice and assistance of two foreign experts in the co-operative field, *viz.* Sir Malcolm Darling, who visited India in the first quarter of 1957 to study the conditions of the co-operative movement in this country and give his views thereon including co-operative training, and Prof. A. F. Laidlaw, who functioned as a Consultant to the Central Committee from October 1956 to February 1958. The suggestions made by these experts were useful in improving the training arrangements. Prof. Laidlaw visited the training centres, held discussions with the trainees and the staff and made valuable suggestions on the basis of his personal observations. Prof. Laidlaw also prepared a 'Memorandum on Extension Work in the Co-operative Movement' for use by co-operative personnel working in the field. It was printed and published by the Committee. Later, Prof. Laidlaw submitted a formal report to the Central Committee on the training programmes conducted by the Committee.

7.9 Introduction of Audio-Visual Aids

One of the principal recommendations made by Prof. Laidlaw was to equip the training centres with audio-visual equipment so that use could be made of audio-visual aids in the conduct of the training courses. Thanks to the keen interest taken by the Professor, the Canadian Government kindly donated under the Colombo Plan a gift to the Central Committee of 13 sets of film projectors, films and audio-visual literature for use at the training centres conducted by the Central Committee. The equipment along with films and literature was distributed to the Regional and Block Level Training Centres. Moreover, with a view to enable the lecturers at the training centres to utilize the equipment and material to the best advantage, both from the technical and instructional points, a Training Course on Audio-visual Education was organized for them at the Block Level Co-operative Training Centre, Kota. The course lasted for a week from 3 February to 8 February 1958. Prof. Laidlaw and Mr. C. W. Marshall, Asian representative, National Film Board of Canada were kind enough to take particular pains in making the course useful and successful.

7.10 Refresher Courses for the Staff

Besides the course on Audio-visual Education, the Central Committee also conducted Refresher Courses for the benefit of the lecturers at the training centres working under its scheme. An Instructional Course on Extension Methods and Co-operative Development was held at Kota in February 1958. Lecturers from Junior Co-operative Training Centres attended the course. Further, a course on Business Management was conducted at Bombay in May–June 1958 to initiate the lecturers at the training centres in the modern science of Business Management and to enable them to exchange experiences and views on Business Management in co-operative institutions. The Central Committee also organized a Refresher Course for instructors in co-operation working at the Extension Training Centres conducted by the Government of India. The Course was held at Kota from 24 November 1956 to 4 January 1957.

7.11 Meetings and Conferences

The Central Committee for Co-operative Training meets generally once a year but its Standing Sub-Committee meets more frequently. Till June 1958, the Central Committee had met four times and its Standing Sub-Committee sixteen times. The Central Committee also convened a number of conferences to review the training arrangements and suggest improvements. Reference has already been made in the last Review to the Conferences of the Registrars of Co-operative Societies and Principals of Regional Training Centres held in August 1955, of the Principals of the Regional and Block Level Co-operative Officers' Training Centres and Chairmen of Local Committees held in December 1956, and of the Principals of the Training Centres held at Bangalore in January 1957. The second Conference of Chairmen of Local Committees and Principals of Training Centres was held in July 1958. Further, as mentioned earlier, a series of three Conferences was held for reviewing the progress and suggesting improvements in the course conducted at the Junior Co-operative Training Centres. For this purpose the states were grouped into three convenient regions and the Conferences were held at Bangalore in August 1957, at Ranchi in June 1958, and at Patiala in July 1958. The Conferences have helped the Central Committee in its endeavour to assess the suitability of the training imparted so far and in planning the improvements necessary for bringing the training arrangements in the centres more in line with the actual requirements.

7.12 Finances

With the increasing tempo of the training programmes expenditure thereon also increased. The Reserve Bank of India approved a provision of Rs 13·8 lakhs per annum for expenses of the training courses conducted at the five Regional Co-operative Training Centres at Poona, Madras, Ranchi, Meerut and Indore. The Government of India approved an expenditure of the order of 11 lakhs of rupees per annum on the courses conducted at the eight Block Level Co-operative Officers' Training Centres. As regards the Junior Co-operative Officers' Training Centres, the Government of India shared equally with the state governments the expenditure on certain items *viz.* salary and allowances of teaching staff, travelling allowance of teaching and guiding staff and trainees, stipend to trainees and purchase of books for libraries. The Government of India's contribution amounted to Rs 12·52 lakhs in 1957–8 for expenditure on shareable items at all the 46 Junior Training Centres taken together.

7.13 Member Education

7.13.1 Mention has been made in the last Review of the schemes of the All-India Co-operative Union and state co-operative unions for educating the members and office-bearers of the co-operative societies and of the public in general. Encouraged by the results achieved in the operation of the four pilot schemes sanctioned in March 1956, the Government of India sanctioned in January 1957 a comprehensive scheme to cover 55 districts initially and the entire country progressively by 1960–1. Implementation of the scheme was to be carried out by the state co-operative unions in a decentralized manner either through district co-operative unions or *ad hoc* committees where unions were non-existent. Each state co-operative union was to be provided with the services of a development officer at state headquarters and instructors at district levels. The All-India Co-operative Union was to be the co-ordinating body and accordingly the staff in that Union was to be strengthened for purposes of co-ordination, inspection, and organization and conduct of training programmes for the instructors and development officers. In the year July 1957–June 1958, 1,343 office-bearers, 7,660 committee members, 38,843 members and 22,283 non-members attended the training classes conducted under the scheme.

7.13.2 The All-India Co-operative Union organized a basic co-operative course for instructors and development officers in May 1957 and two refresher courses at Ranchi and Hyderabad in October 1958. It also brought out text books and teaching aids for use in the training programmes.

7.14 Government Grants

The All-India Co-operative Union received grants from the government during the years 1956–7 and 1957–8 of the value of Rs 36,950 and Rs 33,950 respectively. The grants were for the purpose of conducting the basic training courses and for administrative purposes connected with the education programme. The state co-operative unions in several states were sanctioned grants-in-aid as shown in table 7.1 on page 125.

7.15 Research, Publicity and Propaganda

7.15.1 At the national level the All-India Co-operative Union has set up an All-India Co-operative Institute to undertake research studies on co-operative problems and to conduct evaluation studies of the All-India Co-operative Union's educational programmes and other co-operative development schemes. The Institute has completed the following studies (*i*) Study of students' co-operatives in India and abroad, (*ii*) Evaluation of Co-operative Education Work in Bawana area near Delhi, (*iii*) Co-operative economic survey of the Basti District, and (*iv*) Report on Co-operative Development in India 1954–6.

TABLE 7.1 — GRANTS-IN-AID SANCTIONED TO STATE CO-OPERATIVE UNIONS

State	1956–7		1957–8	
	No. of training units	Amount Rs	No. of training units	Amount Rs
1	2	3	4	5
Mysore	4	4,020	4	17,110
Madhya Pradesh	7	6,360	5	26,500
Madras	2	2,460	2	11,835
Orissa	3	3,240	3	15,016
Kerala	2	2,460	2	10,634
Punjab	4	4,020	4	16,490
Tripura	1	1,680	1	7,720
Uttar Pradesh	7	6,360	7	25,259
Assam	2	2,460	2	10,870
Rajasthan	5	4,800	5	17,348
West Bengal	3	3,240	3	13,280
Bihar	3	3,240	10	13,980
Himachal Pradesh..	1	1,680	1	7,705
Andhra Pradesh	4	4,020	4	18,598
Manipur	1	1,680	1	7,720
Bombay	6	5,580	5	23,295
Total	**55**	**57,300**	**59**	**2,43,360**

The Union is assisted in this programme by the United States Co-operative League and by the American International Association for Economic and Social Development.

7.15.2 In regard to Research, it is proposed to found a chair on Co-operation in the Madras University, whereas in Andhra Pradesh it is proposed to establish a research wing within the Department. In other states no beginning has been made in this direction. In many states, conferences and holding of film shows played an important role in regard to publicity and propaganda. Further, most of the state unions published journals devoted to publicity and studies in co-operation in English and regional languages. The subject of co-operation featured in the syllabus of schools and colleges in many states such as Madras, Andhra Pradesh, Bihar, Bombay, Assam, Kerala, Rajasthan, Orissa and Mysore. The All-India Co-operative Union through the media of a monthly *viz.* 'the All-India Co-operative Review' and a fortnightly 'the All-India Co-operative News Service' has been endeavouring to give continuous publicity to co-operative developments in the different parts of the country. The Union has also embarked on a novel publicity method in that it is manufacturing and distributing the co-operative flag on a country-wide basis. The radio as a medium of publicity seems to have been utilized perhaps only in one state *viz.* Andhra Pradesh. The need for greater effort on a well-planned and directed programme of publicity and propaganda is obvious in the interests of the co-operative movement.

8. ADMINISTRATION, STATE CONTROL, AUDIT AND SUPERVISION

8.1 Legislation

8.1.1 An important landmark in the history of co-operative legislation in the country was the appointment of the Committee on Co-operative Law by the Government of India in June 1956. "Co-operation", being the responsibility of state governments, many of them had enacted comprehensive legislation which though based mainly on the 1912 Act differed in many respects. The need for evolving a uniform co-operative law that could facilitate the rapid growth of the co-operative movement had been felt long. With the acceptance of the recommendations of the Rural Credit Survey Report and the drawing up of the schemes for co-operative development under the Second Five Year Plan in accordance therewith the revision of existing Co-operative Societies Acts and the Rules framed thereunder assumed urgent and added importance. For these reasons and also to simplify, rationalize and modernize the existing laws relating to co-operative societies, the Committee on Co-operative Law was appointed by the Government of India with the following terms of reference:

(*a*) To review the existing co-operative legislation and to make recommendations for a simple legislative measure generally suited to the whole country to facilitate co-ordinated progress of the movement.

(*b*) To examine, in the light of recommendations of the Rural Credit Survey Report, the modifications necessary in the Co-operative Societies Acts and the Rules, for giving effect to the concept of state partnership in share capital and state participation in the management of co-operative societies.

(*c*) To examine the existing provisions relating to various types of co-operative societies and to suggest if any modifications are required in the Act, Rules as well as by-laws so that these societies may be able to play an increasingly important role in the economic development of the country.

(*d*) To prepare standard sets of by-laws which would facilitate the proper and smooth working of the new types of societies which are sought to be encouraged under the changed economic and social policy.

8.1.2 The Committee presented its report in May 1957. In accordance with its terms of reference, the Committee furnished a Model Co-operative Societies Bill and Rules and model by-laws for eleven types of co-operative institutions. In framing the Model Bill, the Committee drew mainly from the existing provisions of the Co-operative Societies Acts in force in the various states. Certain important changes, however, were introduced in the Bill. Thus, a simple procedure for the amalgamation and division of co-operative societies was provided. To give effect to one of the principal recommendations of the Rural Credit Survey Report, specific provisions for direct and indirect partnership of the state in co-operative institutions were incorporated. For indirect partnership the Committee recommended the constitution of State Partnership Funds. Under this method, the apex co-operative institution will credit moneys received from the state government to the 'Principal State Partnership Fund' to be utilized for the purchase

of shares in its own name in affiliated institutions and also for the provision of money to the latter to enable them in turn to contribute to the share capital of affiliated co-operatives. In the latter case, the amounts are to be credited to a "Subsidiary State Partnership Fund" for utilization in the purchase of shares in primary co-operative institutions. To ensure that the state government is truly a partner in the institutions and not merely a creditor, no preferential treatment is to be accorded to government. The Model Bill gives government a title only to the amount of dividend as is declared by the society for its ordinary members and the government has responsibility to share the losses, if any, with the ordinary share-holders. To safeguard its financial interest in a society, however, the state government is given the right to nominate three or one-third of the total number of members of a committee of a co-operative society, whichever is less. Other provisions to enable the state government to provide financial assistance to co-operative societies in the form of loans, guarantees and subsidies are also embodied in the Bill. With a view to avoiding prolonged and expensive litigation involved in the reference of disputes arising in societies to civil and other courts, provision is made in the Bill, for compulsory reference to arbitration by the registrar. In keeping with the new policy for the expansion of the co-operative movement, another important provision confers the right of appeal to the registrar of co-operative societies by any eligible individual who has been refused admission into a society. The Committee also examined various factors which cause delays and bottlenecks in the working of co-operative societies with particular reference to registration, amendments to by-laws, procedure for obtaining loans and made recommendations to eliminate these delays.

8.1.3 Some amendments to the Co-operative Societies Acts and Rules in force in the various states, were passed during the period under review. Provisions for the compulsory amalgamation of societies were introduced in the Bombay Co-operative Societies Act, 1925. To eliminate the delay involved in the process of constitution of the Board of Arbitrators and adjudication of disputes through such a tribunal, the Act was amended deleting the provision in this regard, and other consequential changes were also carried out. Another amendment empowered the state government to dissolve the managing committee of a society and appoint an administrator, in the case of mismanagement of its affairs, after serving due notice and allowing the society to state its objections. Further amendments provided for recovery from the funds of a society of the cost of an inquiry instituted under the Act, and delegation of powers of the registrar to the joint registrar. The Madras Co-operative Societies Act was amended giving the co-operatives a first charge on crops and certain other properties of borrowers in respect of loans given to them for raising such crops, to prohibit the transfer of properties which are subject to such a charge and to evolve a simple procedure for its enforcement. To facilitate the implementation of the integrated scheme of rural credit, amendments were made to bring about the speedy amalgamation of societies and to enable the participation of the state in the share capital of the societies. Another amendment made the deduction and remission of amounts due to a co-operative from the salary of an employee, in pursuance of an agreement to that effect, a statutory obligation on the part of the employer. Provision was made in the Rules under the Act for an appeal to the central co-operative organization or to the registrar against refusal of admission to an eligible person. Other amendments provided for an extension of the period of limitation on references of disputes to arbitration and for the constitution of the Agricultural Credit Stabilization Funds.

8.1.4 The Rules under the Punjab, Bihar and Rajasthan Co-operative Societies Acts were framed during the period under review. In Rajasthan and Bihar, certain amendments to the Act were also passed in 1956. Minor amendments to the Rules framed under

the Kerala and West Bengal Co-operative Societies Acts, were also carried out during the period under review. The Himachal Pradesh Co-operative Societies Act, 1956, was enforced in the territory with effect from 20 August 1956. Certain minor changes were made in the Rules framed under the Madras Co-operative Societies Act, 1932 as in force in Andhra Pradesh. A draft Co-operative Societies Bill for this state, keeping in view the suggestions of the Committee on Co-operative Law was under the consideration of the state government.

8.2 Appointment of Committees

8.2.1 The Reserve Bank's Standing Advisory Committee on Agricultural Credit which was reconstituted into a smaller expert body in pursuance of the recommendation of the All-India Rural Credit Survey Committee, held three meetings during the period under review. Several important issues were discussed at these meetings. Among others, the following were the more salient conclusions and suggestions made.

(*a*) The Committee suggested that the question of the appropriate method and the terms and conditions of government contribution to the share capital of co-operative credit institutions, especially where it was indirect, should be examined and suitable advice made available to the state governments by the Agricultural Credit Department.

(*b*) It recommended that the Reserve Bank of India might further liberalize the remittance facilities available to co-operatives and that these institutions might be shown a certain degree of preference over commercial banks in view of the great need for the flow of funds into the rural sector.

(*c*) The Committee deprecated the tendency to make use of co-operatives in government schemes to collect small savings to the detriment of the interests of co-operatives. As a means of mobilizing rural savings, the Committee recommended the floatation of rural debentures by central land mortgage banks for productive purposes.

(*d*) The Committee approved of a scheme for the reorganization of grain-golas in Orissa as cash-cum-grain credit societies and recommended the provision of loans to the state government from the National Agricultural Credit (Long-term Operations) Fund to a limited extent against proper safeguards for participation in the share capital of these reorganized institutions.

(*e*) Considering the question of provision of co-operative credit in *gramdan* villages, the Committee felt that these areas required special treatment and the ordinary machinery of co-operative credit and marketing was not suitable for the purpose.

(*f*) The Committee suggested that the responsibility for promoting and financing schemes in relation to certain backward sections of the community involving various risks should be mainly that of government.

(*g*) In the context of the State Bank's scheme for providing accommodation to co-operative institutions against government securities and on repledge of produce at concessional rates, the Committee stressed the need for ensuring that the discipline of the co-operative banking structure should not be violated. It suggested that the scheme be watched and that the State Bank collect relevant data about the working of the scheme with a view to the evaluation of its effects.

(*h*) The Committee recommended that the short-term requirements of central land mortgage banks should be provided by state governments, or where possible by the state co-operative banks on government guarantee. It also suggested that the central land mortgage banks might explore other methods of augmenting their resources such as larger state contribution to their share capital and more frequent issue of debentures.

(*i*) The Committee endorsed the view that the registrar of co-operative societies, who held a post of crucial importance and whose duties and responsibilities were considerably increasing in the context of the large development plans, should be an officer with adequate training in co-operation and should be retained in his post for a sufficiently long period of time. It further suggested that he should undergo a programme of training and study to be drawn up by the Reserve Bank.

8.2.2 Among Committees appointed by the state governments, the following may be mentioned. The Orissa State Government appointed a committee in 1958 to enquire into the misappropriation cases of various co-operative institutions in the state. The Committee appointed in 1955 for examining the working of the co-operative movement in Himachal Pradesh completed its work during this period. The report of the Narayanaswamy Pillai Committee appointed in 1955–6 by the Madras state government was published in the year 1956–7. The committee appointed by the Bombay state government to consider the overhauling of the Bombay Co-operative Societies Act, 1925, and the Rules published thereunder with regard to integration of laws in force in the component areas of Kutch, Saurashtra, Vidarbha and Marathwada also submitted its report in July 1957.

8.3 Administration

8.3.1 The period under review covered a major part of the first two years of the Second Five Year Plan, which ushered in a rapid expansion of the co-operative movement in all the states on the lines suggested in the All-India Rural Credit Survey Report. To meet the growing responsibilities arising out of the increased complexities and dimensions of the movement, a considerable expansion of the staff of the co-operative department became necessary. Substantial provision for this purpose had been made under the Second Five Year Plan. The period therefore witnessed a large increase in the staff of the co-operative department.

8.3.2 Another major event during the period which affected the co-operative departments was the reorganization of states, which brought in its wake a number of problems relating to the integration of personnel. The difficulty was particularly acute in certain states such as Mysore, which comprised areas of five different states, each with a different administrative set-up. The integration of the services and the evolution of a uniform administrative set-up threw an additional burden on the co-operative department. Another problem posed by the reorganization, was the integration into one state of areas where the level of co-operative development was uneven. The relative backwardness of the movement in certain areas called for vigorous work to bring them into line with the progress achieved in the other parts of the state with the result that the pressure on the co-operative department increased. Various difficulties were also faced by individual states, as a result of reorganization of states which affected the co-operative apex institutions. The need for speedy and co-ordinated action in regard to the division and amalgamation of co-operative institutions with a view to ensuring that the jurisdiction of financing

agencies, together with that of the institutions borrowing from them, coincided with the administrative jurisdiction of one state government and one registrar further added to the work of the co-operative department.

8.3.3 A detailed description of the general administrative set-up has been given in the previous Reviews. The basic administrative frame-work remained practically unchanged. The promotional, extensional and supervisory activities relating to the co-operative movement were entrusted to a separate government department, under a minister, the executive head of the department, generally designated as the registrar of co-operative societies, being the sole agency and ultimate authority for the guidance, supervision and control of the co-operative societies. In Tripura and Delhi, however, the functions relating to co-operation were looked after by a co-operative officer and development commissioner respectively. In the Andaman and Nicobar Islands where there was no co-operative department, the revenue assistant commissioner acted as the registrar of co-operative societies.

8.3.4 A reference has been made in the previous Reviews to the growing tendency in some states to confer the powers of the registrar on persons who worked independently of him. This position continued during the period under review. In Uttar Pradesh, the cane unions were under the administration of a separate department under a cane commissioner invested with the powers of the registrar of co-operative societies, which were exercised by him without reference to the latter. Here, the director of industries also exercised powers of the registrar under the Co-operative Societies Act, in so far as industrial co-operatives were concerned. In Kerala, the implementation of schemes in the handloom industry section and registration of handloom weavers' co-operatives were under the control of the joint director of industries and commerce. In Madras also, the industrial co-operatives were under the administrative control of the director of industries and commerce. It has generally been held that in the interests of co-ordinated control and unified direction, it is desirable to keep the co-operative agencies and societies financed by them under the control of a single authority. Though it is recognized that special types of co-operatives require the undivided attention of senior personnel, it would still be desirable if persons to whom the powers of the registrar are conferred, work under his general superintendence and control. In short, there should be only one single authority for guiding, supervising and controlling the working of co-operative societies in the entire state. While, in some states certain types of societies were taken out of the jurisdiction of the registrar, in others, he was saddled with functions which could not be said to fall strictly within the purview of his normal activities. To mention a few instances in the Bombay State, the registrar was also in charge of administering the laws regarding money-lending and debt-relief, regulated markets and warehousing. He had also to look after tenancy and agricultural land legislation insofar as it affected co-operative farming societies. In Orissa, the state government transferred such subjects as cottage and village industries including handlooms, *khadi* and small-scale industries to the co-operative department. In Himachal Pradesh, the registrar held additional charge as director of civil supplies and *panchayats*.

8.3.5 With the increasing diversification of activities, a notable trend, which was particularly evident during the period under review, was the increasing decentralization of power, the registrar retaining only the overall control of the co-operative movement. Assistance to the registrar was provided by the appointment of additional or joint registrars who were usually entrusted with the administration of certain specific subjects and were invested with all the financial and administrative powers exercisable by the registrar in

relation to them. The registrar's orders were, however, to be obtained on all important questions of policy. In Andhra, the registrar was assisted by an additional registrar and 3 joint registrars. In Bombay, there were four joint registrars, in charge of general administration, marketing, audit and co-operative sugar factories. Uttar Pradesh had two additional registrars. In West Bengal, there were two joint registrars at headquarters, one of whom was in charge of industrial co-operatives and the other appointed to assist in development matters. In Orissa the registrar was assisted by three joint registrars in matters pertaining to general administration, handloom and the khadi and village industries. Madras had three joint registrars, one in charge of credit, marketing and general administration, another in charge of housing and farming and the third in charge of dairying and such statutory functions as arbitration, execution and liquidation. The director of handlooms also functioned as a joint registrar in regard to weavers' co-operatives.

8.3.6 Subject to variations between states, the remaining cadres of the departments consisted of deputy registrars, assistant registrars or district co-operative officers, the chief auditor and district auditor and other subordinate staff comprising the sub-assistant registrars, senior and junior inspectors. Co-operative extension officers were also posted in most states for each national extension block, normally consisting of 100 villages. With the financial assistance extended under the Second Five Year Plan by the Central Government, a considerable increase in the strength of the staff in most states, at all these levels, took place during the period under review.

8.3.7 The deputy registrars were usually posted at the headquarters of the state in charge of administrative work or at divisional level in charge of a few districts. In most states, a gazetted officer of the rank of an assistant registrar was in charge of co-operatives in the district. Where the number of societies justified it, there were even two officers of that rank in each district. In some states, however, where the development was poor, one assistant registrar continued to look after two or more districts. Though a precise comparison of the strength of the staff at this level obtaining prior to and at the end of the period under review, is not possible, in view of the reorganization of states, the significant increase in the staff during the period under review could be broadly gauged from table 8.1 on page 132, which indicates the position in a few states. Impressive no doubt as the expansion has been, it still falls far short of the needs; and in the context of the rapid strides which the movement is making and the considerable expansion envisaged for the future, the magnitude of the administrative tasks which will devolve on the staff will be greater as the days roll on. There is, therefore, a need for continuously assessing the requirements of personnel at all levels in relation to the tasks to be undertaken. It is necessary to ensure that there is no overburdening of the officer at the district level and, therefore, where the work-load justifies it, an additional officer of the same status should be appointed. Further, it would also be desirable if an officer of the status of a deputy registrar were maintained at the divisional level to co-ordinate the work of the district officers and give them guidance from time to time. Several states which could be classed as co-operatively advanced, lack these arrangements.

8.3.8 While sufficient experience had been acquired by the officers of the department in regard to the development of credit activities, their knowledge and experience in other fields was not adequate. With the growing diversification of co-operative activities, this deficiency was met by the appointment of several technical experts specialized in the various functions. Thus, special officers were appointed in several states for activities such as land mortgage banking, marketing, industrial co-operatives, housing, weaving, dairying etc.

TABLE 8.1 — OFFICERS OF THE CO-OPERATIVE DEPARTMENT AT THE DISTRICT LEVEL

State	1954–6		1956–8	
	No. of districts	No. of deputy/assistant registrars/district co-operative officers at the district level	No. of districts	No. of deputy/assistant registrars/district co-operative officers at the district level
1	2	3	4	5
Assam	17	11	11	17
Madhya Pradesh	22	21	43	36
Mysore	10	10	19	20
Orissa	17	14	13	14
Punjab	13	15	21	24
Rajasthan	24	13	26	20
West Bengal	15	11	15	14

8.3.9 While the quantitative progress may appear satisfactory from the foregoing account, qualitatively much leeway has still to be made. The staff were generally found to be very often inadequately trained or even not trained at all. In some cases they were even ill-qualified. One of the important factors for this state of affairs was that the terms and conditions of service did not compare favourably with other major departments. Further, in many states senior posts were filled by officers brought from other departments without a knowledge of or training in co-operation and those who had gained knowledge and experience in co-operation were frequently transferred elsewhere. In view of the crucial stage of expansion through which the co-operative movement is passing, it would be desirable to reiterate the recommendations regarding the subject of personnel made in the Rural Credit Survey Report and endorsed by several co-operative conferences and, in more recent times, by Sir Malcolm Darling. It has generally been held that to encourage qualified and suitable men to join the co-operative department, the terms and conditions of service should be on a par with other departments. In making postings, only senior and experienced officers should be appointed as registrars. Further, those who have had no co-operative experience should be given a special orientation course. Even more important is the need for less frequent transfers of experienced registrars and it should be ensured that the incumbents of this post are not transferred for at least 5 years to maintain a continuity of policy and action. This rule applies equally to lesser gazetted posts. Much of the burden of developing co-operatives in each district will fall on the district co-operative officer, commonly known as the assistant registrar. He should be familiar with the economy of the district and the needs and chances for progress of the co-operative movement there. He should also maintain close liaison with other government departments which provide assistance to agriculturists. In the appointment of staff, necessary attention should also be paid to ensure that the recruits are suited for development work and possess temperamental aptitude for rural uplift; for, the staff of the co-operative department have not only to carry out statutory duties but create the necessary climate for the sound and rapid growth of the co-operative movement.

8.4 Co-ordination with other Government Departments

With the increasingly important role assigned to co-operation in the scheme of nation-building, the need for close co-ordination between the co-operative and other government departments cannot be overemphasized. Satisfactory arrangements in this regard were made in most states. In Andhra, heads of departments met at the monthly co-ordination meetings presided over by the development commissioner to discuss mutual problems concerning their departments. In Bombay, there was a district development board in each district under the chairmanship of the collector of the district. In most other states, regular meetings attended by the heads of the various government departments, were held to secure this end.

8.5 State control

8.5.1 The co-operative law provides for various powers of regulation and control over the co-operative societies to be exercised mainly by the registrar of co-operative societies who is appointed by the government. Further, the initiative for the development of the co-operative movement in this country has mostly come from government. The expectation that in course of time the co-operatives would assume increasing responsibility for organization and working of the movement and become eventually independent of official control has for various reasons not been realized. With the acceptance of the main recommendations in the All-India Rural Credit Survey Report, as the basis for schemes of co-operative development under the Second Five Year Plan, state partnership in co-operative institutions at all levels was considered necessary to create conditions favourable for their successful working. Extensive financial and other types of assistance have been provided by government and such aid is expected to be substantially increased in the next few years. To ensure the safety and proper utilization of its funds, it is only appropriate that the state be given some voice in the administration of the society in which it has such a considerable financial stake. Apart from the desire to protect its interests, the need for the state having a say in the affairs of a society arises from the role assigned to it in promoting national policies.

8.5.2 State control of the movement has taken various forms. Mention was made in the previous review of the nomination of various state officials on the boards of co-operative institutions. With the initiation of the policy of state partnership, such nomination received official sanction. State nominees are three or one-third of the total number of Directors, whichever is less, on all the Boards of Management of Co-operatives in which the state has taken shares, and the nominees are either officials or non-officials. In addition, the co-operative department deputed some of its officers and subordinate staff to co-operative societies to work in administrative posts, as secretaries, managers or executive officers. In several cases, their services were provided free of cost. In Madras, about 279 officers were so deputed to work in co-operative institutions. Although the exact number is not known, several departmental officers were also deputed to co-operative institutions in other states.

8.6 Audit

8.6.1 Another important means whereby the registrar was able to exercise control over the co-operative movement was through audit. Under most Co-operative Societies Acts, the conduct of a regular and periodical audit of co-operative societies is the statutory obligation of the registrar. Mention has, however, been made in previous Reviews, of a few states where audit had been taken out of the co-operative department. The need for an

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8.5.2 State control of the movement has taken various forms. Mention was made in the previous review of the nomination of various state officials on the boards of co-operative institutions. With the initiation of the policy of state partnership, such nomination received official sanction. State nominees are three or one-third of the total number of Directors, whichever is less, on all the Boards of Management of Co-operatives in which the state has taken shares, and the nominees are either officials or non-officials. In addition, the co-operative department deputed some of its officers and subordinate staff to co-operative societies to work in administrative posts, as secretaries, managers or executive officers. In several cases, their services were provided free of cost. In Madras, about 279 officers were so deputed to work in co-operative institutions. Although the exact number is not known, several departmental officers were also deputed to co-operative institutions in other states.

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early restoration of this function to the registrar had also been emphasized. No remedial action was taken to rectify the above position during the period under review. In Uttar Pradesh, audit continued to be the responsibility of the finance department. In Punjab, the Act lays down that the accounts of every society be audited by an agency or authority other than officers under the control of the registrar. Pending the establishment, however, of a separate audit organization for this purpose, the state government had exempted all societies except the apex and central banks from the application of this section. The audit of primary credit societies was thus still under the control of the registrar. It is essential that audit should be the function of the registrar as it provides an effective means to enable the registrar to keep a close watch over the movement and ensure that it progresses on sound lines. His responsibility for administration cannot be satisfactorily fulfilled otherwise. In his Review among others, of the audit arrangements in various states, in 1957, Sir Malcolm Darling also strongly recommended the early restoration of the responsibility for audit to the registrar, in the states of Punjab and Uttar Pradesh, where he has been deprived of this function. The desire to keep audit out of the control of the registrar probably springs from a wrong impression in some quarters that the co-operative department manages the affairs of co-operative societies. This is due to the fact that the registrar and other officials are very often represented on the board of management of societies and to the fact that supervision in some states is exercised by the co-operative department. With the gradual de-officialization of the movement, which is one of the cardinal tenets of the new policy, and transfer of the supervisory function to central financing agencies as recommended by the Rural Credit Survey Committee, there can be no basis for the criticism that those who maintain and supervise the accounts are also auditing them. The early attainment of the ideal of effective supervision by non-official agencies and the entrusting of audit solely to the co-operative department would therefore be highly desirable.

8.6.2 Another vital need for a sound, efficient and regular audit, is the clear demarcation of administrative and audit staff in the co-operative department. With the increase in staff under the co-operative development schemes under the Second Five Year Plan, several states were able to give effect to this principle in practice. Except for a few states, such as Assam, Delhi, Kerala, and Madhya Pradesh where audit, inspection and other statutory functions were attended to by the same staff, some distinction between audit and administration was generally maintained. For this purpose, separate sections in the co-operative department in the charge of a chief audit officer directly responsible to the registrar, were created.

8.6.3 In some states, audit of co-operative institutions was wholly departmental. In others, audit of the larger or special types of institutions was carried out by private auditors, such as chartered accountants whose appointment was, however, subject to the approval of the registrar. Thus, in Bombay, audit of consumers societies, housing societies and urban banks with a working capital of over Rs 50,000 was carried out by certified auditors chosen from a panel approved by the registrar. In West Bengal and Delhi, professional auditors were employed when the departmental staff could not cope with the work. Audit of insurance societies in Orissa, of the apex bank in Himachal Pradesh and Andhra, of the apex and some central banks in Punjab, of the apex bank and the Madras Fire and General Insurance Co-operative Society in Madras, was carried out by professional auditors.

8.6.4 There are certain disadvantages associated with private audit of co-operative institutions. An efficient co-operative audit requires a thorough acquaintance with the

co-operative background and its special requirements. The drawback of private auditors is that they concern themselves only with accounts and ignore points as to whether the operation of the society is being conducted on co-operative lines. Since the registrar is finally responsible for the sound development of the co-operative movement, he should be assisted in discharging this responsibility. Attempts should, therefore, be made to entrust the entire function to departmental auditors alone. It may be mentioned here that the Rural Credit Survey Committee was emphatically of the view that professional audit should not replace departmental audit, but that in certain special cases, such as apex organizations, the bigger central banks and some of the societies engaged in business an exception may be made and departmental audit may be supplemented by professional audit. If, however, the volume and variety of transactions of certain bigger societies necessitate the appointment of specialized auditors, an effective check should be simultaneously maintained through super-audit by the department of these societies. In generally all the states, audit of apex banks and some central financing agencies was concurrent while that of the other agencies was periodical i.e. once a year. The mode and frequency of audit was not, however, uniform in all states.

8.6.5 An unsatisfactory feature of audit, which has been referred to in previous Reviews and which still continued, is the heavy arrears in audit. In several states, there was a wide disparity in the figures of primary societies due for audit and those actually audited. Many societies remained unaudited for two years and more. Dearth of personnel, or pre-occupation with other work, and in several cases, the non-availability of records were important reasons for the delay. Though the staff position has been strengthened in most states, it still falls short of actual requirements in several of them. The charge of an auditor, therefore, still remains unduly large and far from the ideal. The optimum charge has generally been placed at 1 auditor for every 20 large-sized or 45 small-sized credit societies. Due to paucity of staff, an auditor was required to audit 72 large-sized or 84 small-sized societies in Bombay, 100 agricultural credit societies in Madhya Pradesh, 57 agricultural credit and 29 other societies in West Bengal, 84 agricultural credit societies and 25 other societies in Orissa and 50 agricultural credit and 34 other societies in Rajasthan. A suitable increase in staff and special efforts would be necessary before the arrears could be cleared and the ideal of the audit of all societies, once a year could be achieved. Moreover, the increasing volume of transactions in a large number of societies would appear to justify the need for concurrent audit in addition to annual audit. Inadequacy of staff, however, does not permit of new societies being brought under this scheme, though it would be highly desirable to do so.

8.7 Supervision

8.7.1 While audit which is the statutory responsibility of the registrar includes a verification and valuation of assets and liabilities, the declaration of profits and detection of irregularities, supervision involves a much wider function and includes the positive responsibility for rectification of defects and the development of the movement. It not only connotes the examination of the working of the society according to the Act, rules and the by-laws, and the general management and financial position of the society, but has the task of raising the moral and business standards of the office-bearers and members.

8.7.2 The machinery for supervision was not uniform in all states. With the reorganization of states, this diversity was brought within the boundaries of a single state itself. In some states, supervision was purely the responsibility of the central financing agencies; in others, it was carried out by both official and non-official agencies; and in

still others, by the official agency alone. In the states of Andhra, Madras and Orissa, supervision was done by the central financing agencies. In the states of Assam, Bihar and West Bengal, though the central banks were charged with the primary responsibility of carrying out this function, the government personnel also assisted in supervision to some extent. In Kerala, in the erstwhile Travancore-Cochin areas, the central banks were doing the work of supervision, partly by appointment of inspectors and partly by appointment of supervisors attached to supervising unions. In the Malabar area, the responsibility for supervision rested with the central bank. In the states of Punjab and Rajasthan, supervision was done by the co-operative department while in Uttar Pradesh, supervision was the function of the State Co-operative Union. In Bombay, though the supervisors were departmental employees, the function of direction and guidance of the staff was vested in the district supervision committees which consisted of representatives of the co-operative department and co-operative institutions and which functioned under the direct control of the Provincial Board of Supervision, composed of both officials and non-officials. In Madhya Pradesh, from July 1957, the responsibility for supervision was handed over to central financing agencies throughout the state. In Mysore, different systems existed in the different areas. In South Kanara, Coorg and the old Mysore state, supervision of primary credit societies was the responsibility of central banks. In the area covered by the old Hyderabad state, supervision was done by the co-operative department. In the Bombay-Karnatak area, the work of supervision was looked after by the central banks as well as the co-operative department.

8.7.3 If co-operation is to be built up on sound foundations, the assistance of a good and efficient system of supervision is absolutely necessary. The basic responsibility for supervision should be that of the central banks; for, they will be most interested in supervising the proper utilization of their funds by the borrowing societies and their prompt return on due dates. Though supervision at the primary level may be entrusted to supervising unions, constituted by primary societies and affiliated to central banks, the central bank should function as the co-ordinating, controlling and guiding authority at the district levels. The system of supervision in which central banks actively participate is criticized in some quarters as it is feared that the financier's interests will dominate over the interests of the affiliated societies and lead to their decadence. It may be mentioned here that there is no justification for this view, for, central banks are owned mostly by the societies to be supervised. In fact, in states like Andhra and Madras, two-thirds of the Board of Directors of a central bank consist of representatives of primary societies affiliated to it elected by the supervising unions. Further, finance and administration are intimately bound up and it is not possible to divorce the one from the other. On the other hand, vesting the supervisory function in the co-operative department is objectionable on several grounds. Audit is a statutory responsibility of the co-operative department. If supervision, which is not a statutory function, is also entrusted to the department, slackness in supervision may not be exposed in audit. Moreover, it is desirable that the co-operative movement which is a movement of the people should be made to depend on itself in increasing measure, leaving only the statutory duties to be discharged by the co-operative department. Attempts should, therefore, be made to transfer the function of supervision to central financing agencies, wherever it has not already been so transferred.

8.7.4 Supervision involves constant administrative assistance in routine work and general guidance both from the business and co-operative aspects. Consequently, supervisors should be well-qualified, well-paid, properly controlled and efficient. They should supply the necessary information to the societies and be the driving force for their betterment and for bringing out the necessary reformation in the rural economy. A supervisor

should be able to develop intimate contacts with societies and offer them advice and guidance. For this, the charge of a supervisor should be reasonably small. From data available it was found that the assignment of a supervisor was unduly large in several states as may be seen from the statement given below:

State	No. of societies in charge of a supervisor	
	Agricultural	Others
1	2	3
Bombay	43	5
Rajasthan	24	18
Bihar	18	12
Uttar Pradesh	35	—
Mysore	25	10
Kerala	19	16
Punjab	17	13
Andhra	15 – 20	—
Madras	15 – 16	—
Pondicherry	15	—
Orissa	21	10

Except for Andhra, Madras and Pondicherry, the charge of a supervisor was rather heavy. An undesirable feature arising out of the inadequacy of staff was that the supervisors were unable to perform fully and effectively all the functions required of them. Visits to societies were not regular, and were, by and large, only for the disbursement and recovery of loans. Other important functions, such as rectification of defects were neglected. Further, non-borrowing societies, which were precisely the societies which would appear to require intensive supervision were hardly ever visited at all. Other shortcomings in the arrangements for supervision were that the supervisors were poorly paid, not properly qualified and untrained in co-operative work. The need for ensuring effective arrangements for supervision assumes added importance in the context of the co-operative development plans of the various states which envisage a substantial increase in the volume of finance to be provided through co-operative credit agencies. The restriction of the charge of a supervisor to the standard generally recommended of 15 large-sized and 25 small-sized credit societies would be an important beginning in the right direction. Lack of finance, no doubt, was one of the obstacles in the way of early attainment of these standards; but under the Second Five Year Plan, steps were taken to remedy this position to some extent. The financial responsibility for supervision was thus borne in part by Government, either by way of provision of direct subsidy to the supervising agencies for employment of requisite supervisory personnel, or by the appointment of supervisors as government employees. If the present trend is an indication of the future, the scarcity of staff may be expected to ease considerably. Well-trained, efficient and adequate supervisory staff are a *sine qua non* for the healthy and sound growth of the co-operative movement. For, only when properly supervised, the societies will be able to advance loans on a scale vastly

larger than at present. The early attainment of the desideratum both in respect of quantity and quality of the supervisory staff is, therefore, necessary.

8.8 Inspection

A function which has not perhaps received adequate attention, is that of inspection. In most co-operative societies Acts, there is a provision for the registrar or a person authorised by him undertaking the inspection of the books of a society of his own accord or at the request of creditors. It has been customary for the registrars in some states to inspect co-operative societies systematically at specified intervals. In a few states, central financing agencies have also maintained a staff of inspectors to look into the operation of societies. In Bombay, the apex and central banks were inspected once in a year by the co-operative department. In West Bengal, societies were inspected at least once a year while the central banks were inspected twice in the year. In Jammu and Kashmir and Madras, departmental staff also attended to 'inspection' work. In Bihar, the deputy registrars and assistant registrars were required to inspect a certain percentage of societies during their half-yearly inspections of the central financing agencies. In Orissa, while the registrar was required to pay a monthly visit to the state co-operative bank, central banks and primary societies with a working capital of over Rs 1 lakh were to be inspected once a quarter. In Uttar Pradesh, the primary societies were to be inspected by the inspector once a year. The district co-operative officer was to inspect the central banks every half year and also about 50 primaries once a year. In Mysore, an yearly inspection of central banks and half yearly inspection of primary societies by the departmental staff has been provided for. So also in Rajasthan, co-operative societies were expected to be regularly inspected by the department. It has, however, generally been observed that no separate machinery for inspection work has been provided in most states, and the staff are to attend to this function as one of their numerous duties. The inspections are therefore heavily in arrears and are also found to be neither systematic nor methodical. It is to be hoped that the function of inspection will be given due importance, and that the regular inspection of co-operative credit institutions at periodic intervals will be conducted in future.

9. CONCLUSION

9.1 From what has been given in the foregoing pages, it will be seen that there has been significant improvement in the condition of the co-operative movement in the various states during the period under review. The number of agricultural credit societies increased from 1,59,939 at the beginning of 1956–7 to 1,66,543 at the end of June 1958, accompanied by an increase of 31 per cent in their membership. The coverage of population was 27 per cent as against 22·8 per cent at the beginning of 1956–7. The owned funds and working capital of the state co-operative banks increased during the period under review by 56 per cent and 72 per cent respectively to Rs 11·93 crores and Rs 109·14 crores. The loans advanced by them increased during the period under review by more than three times, *i.e.* from Rs 67·86 crores in 1955–6 to Rs 219·09 crores in 1957–8. Similarly, the owned funds and working capital of central co-operative banks rose from Rs 15·15 crores and Rs 92·67 crores respectively to Rs 24·99 crores and Rs 147·00 crores at the end of June 1958. The loans advanced by them to the members increased from Rs 79·83 crores during 1955–6 to Rs 159·87 crores during 1957–8. The working capital of the agricultural credit societies increased during the period under review by Rs 54·65 crores to Rs 133·75 crores as at the end of June 1958, and was reflected in their loan operations which rose from Rs 49·62 crores during 1955–6 to Rs 96·08 crores during 1957–8. The average loan per member worked out to Rs 94 during 1957–8 as against Rs 64 and Rs 74 during 1955–6 and 1956–7 respectively.

9.2 The Review also indicates satisfactory execution of various schemes of co-operative development under the Second Five Year Plan and this is reflected in the progress made by the different types of societies during the period under review. State participation has been increasing, and as at the end of June 1958 the total contribution of the state governments towards the share capital of co-operative societies of all types amounted to Rs 16·49 crores. Of this amount Rs 6·96 crores or 42·2 per cent were for primary agricultural societies (credit and non-credit), Rs 3·21 crores for central co-operative banks and Rs 4 crores for state co-operative banks. It may be stated that the funds are made available to the state governments by the Reserve Bank of India out of the National Agricultural Credit (Long-term Operations) Fund for share participation in credit societies and by the National Co-operative Development and Warehousing Board out of the National Co-operative Development Fund constituted by the Government of India for participation in the share capital of non-credit societies. At the end of 1957–8, there were 1,899 primary marketing societies at mandi centres with a total membership of 5·41 lakhs. The value of produce marketed by them as agents amounted to Rs 11·33 crores, although not much progress has been made in the direction of linking credit with marketing. The organization of co-operative sugar factories has been a distinctive feature of the development of processing activity on a co-operative basis. At the end of June 1958, there were 51 factories with a working capital of Rs 26·77 crores. They produced sugar worth Rs 14·11 crores during 1957–8 and their sales were of the order of Rs 9·95 crores. Regarding the provision of storage facilities at the village and mandi levels, the National Co-operative Development and Warehousing Board granted financial assistance for the purpose and by the end of March 1958, 1,749 godowns had been constructed by large-sized societies and marketing societies as against the target of 5,500 during the Plan period. The Reserve Bank provided financial accommodation at concessional rate of interest on an increasing scale during the period under review. The total of short-term credit limits

and medium-term loans sanctioned to state co-operative banks increased from Rs 29·64 crores and Rs 1·40 crores respectively during 1955–6 to Rs 48·24 crores and Rs 7·72 crores during 1957–8. Besides, credit limits aggregating Rs 2·06 crores were sanctioned to state co-operative banks during 1957–8 for financing the production and marketing activities of weavers' co-operatives. Further, a total credit limit of Rs 3 crores was sanctioned during 1957–8 at the Bank Rate for meeting the working capital requirements of co-operative sugar factories. The assistance of the Reserve Bank in providing training facilities to the co-operative personnel through the Central Committee for Co-operative Training was also very significant.

9.3 The assessment of the achievements of the movement in the context of the targets laid down under the Second Five Year Plan reveals that the advances made by the agricultural credit societies during 1957–8 aggregated Rs 96·08 crores as against the target of Rs 200 crores (Rs 150 crores for short-term and Rs 50 crores for medium-term loans at the end of the Plan period *viz.* 1960–1). The increase in the working capital of state co-operative banks was largely due to borrowings from the Reserve Bank of India which account for 40 per cent of the total. The fact that as against the total advances of Rs 105 crores made by agricultural credit and marketing societies during 1957–8 the drawings by the state co-operative banks from the Reserve Bank of India for agricultural purposes amounted to as much as Rs 64 crores indicates the extent of the dependence of the movement on the latter. It may, however, be conceded that it is too early to judge the success or failure of the various schemes for co-operative development by the results achieved within a short period. There are certain schemes such as the flotation of rural debentures by central land mortgage banks for tapping rural savings in regard to which a beginning has been made only recently and some time must elapse before an opinion could be ventured on their success or otherwise.

9.4 In conclusion, it may be observed that recent developments in co-operative policy resulted in some controversy in regard to the earlier decisions taken on the recommendations of the Rural Credit Survey Committee, particularly formation of large-sized societies and state participation. On the basis of the recommendations made by the Working Group set up by the National Development Council, the Government of India have communicated to state governments that the area of operation of the primary credit society should be one village, though where the village is very small, two or more may be combined so that the total population covered does not exceed about 1,000. This represents a departure from the original plan. Further developments in regard to the measures to be taken for the rapid promotion of co-operative activity in all its aspects including co-operative farming as part of agrarian reforms requires to be watched. It may, however, be stated that the fact that the policies and programmes in regard to co-operative activity have given rise to active thinking, albeit resulting in some cases in controversy, is itself an indication of the dynamic nature and democratic character of the movement which are its chief sources of strength. The ground has been prepared in the country for the development of the movement in all its multifarious aspects and steps have been taken in this regard. It may not be too much to hope that the movement would soon successfully cover the various aspects of our economy and in particular the agricultural sector and help in the economic development of the country.

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